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Report to the San
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**BOARD OF SUPERVISORS**

BUDGET ANALYST

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SAN FRANCISCO, CALIFORNIA 94102 • TELEPHONE (415) 554-7642

November 24, 1993

Honorable Willie B. Kennedy
Honorable Annemarie Conroy
Members, Board of Supervisors
City and County of San Francisco
Room 235, City Hall
San Francisco, CA 94102

Dear Supervisors Kennedy and Conroy:

Transmitted herewith is the Budget Analyst's management audit of the San Francisco Housing Authority (SFHA). This management audit was conducted in accordance with Charter Section 2.400, which authorizes the Board of Supervisors to make inquiries concerning the operations of any department or office of the City and County of San Francisco.

Major Accomplishments

While the objectives of a management audit are to identify deficiencies and to identify opportunities for improvement, the accomplishments of the SFHA should not be overlooked. These accomplishments include the following:

- Obtaining a rating of "standard performer" for Fiscal Years 1991-92 and 1992-93 and the resulting removal from the U.S. Department of Housing and Urban Development (HUD) list of financially troubled public housing authorities;
- Establishment of an operating reserve of approximately \$9.2 million or approximately 25 percent of the SFHA's FY 1992-93 approximately \$37 million operating budget for conventional housing, and retirement of all outstanding indebtedness in FY 1991-92;

- Acquiring \$86.2 million in Federal comprehensive grant funds during the past four years to rehabilitate and modernize SFHA public housing developments; and,
- Achieving an average occupancy rate for its public housing projects in excess of 97 percent during FY 1992-93 compared to approximately 90 percent in FY 1988-89.

Report Findings

This management audit report contains a total of ten sections and 20 recommendations. Implementation of the recommendations contained in this report will enable the SFHA to operate with greater economy, efficiency and effectiveness, and will better ensure that the SFHA operates in accordance with applicable laws and regulations. Our findings are as follows:

Section 1.1 Housing Assistance Program Overpayments

The San Francisco Housing Authority (SFHA) does not have sufficient financial controls to prevent or detect unauthorized Housing Assistance Program (HAP) payments to private landlords in the Section 8 Leased Housing Program. Existing procedures do not ensure that HAP contracts are terminated promptly. As a result, Section 8 landlords frequently receive rent payments for vacated units. No periodic reconciliation exists between the Section 8 landlord payroll and the list of tenants who participate in the Section 8 Leased Housing Program. Consequently, duplicate payments are often made by the SFHA for the same tenant to different landlords. As one example, a landlord continued to receive subsidy payments from the SFHA for a period of six months despite the fact that the tenant had been evicted. Although the SFHA has been aware of these internal control deficiencies since as early as Fiscal Year 1986-87, the existing SFHA procedures to account for landlord overpayments are still inadequate. As a result, the SFHA has overpaid landlords an estimated \$1.5 million since June, 1990. Although the SFHA has been able to deduct overpayments from landlords through subsequent landlord payment withholdings and other means of collections, it is estimated that \$246,000 or over 16 percent of the amount overpaid to landlords during the past three years has not been recovered by the SFHA.

Section 1.2 Reimbursement of Tenant Damage Claims

The SFHA is obligated to reimburse private landlords for any damages, including unpaid rent or damages caused by its Section 8 program tenants. During the past two fiscal years, the SFHA has paid an estimated \$210,000 in damage claims to Section 8 landlords. Although the SFHA has the authority to seek reimbursement from Section 8 program tenants for the damage claims paid to landlords, the SFHA does not aggressively seek such reimbursements from tenants, does not adequately account for damage claims paid, and does not monitor the status of its collection efforts. As a result, \$88,000 or only 42 percent of the \$210,000 in damages paid to landlords over the past two fiscal years has subsequently been collected from SFHA tenants, and \$122,000 or 58 percent has not been collected.

Section 1.3 Allocation of Administrative Costs

The SFHA allocates administrative salary and fringe benefit costs based upon the number of housing units operated in the Conventional Housing Program and the Section 8 Leased Housing Program. This cost allocation method has enabled the SFHA to fund an estimated \$1.2 million annually in excessive administrative costs.

Through the allocation of administrative costs in a more equitable manner, by using the number of full-time equivalent positions as an allocation basis rather than the number of housing units, these funds could be used to provide additional housing subsidies rather than funding excessive administrative cost. It is estimated that an additional \$1.2 million would be available to provide housing subsidies to prospective Section 8 Program participants. The reduction in administrative costs charged to the Section 8 Program would enable the SFHA to provide housing to an additional 148 low income families, thereby reducing the Section 8 program waiting list of 1,139 applicants by approximately 13 percent.

Section 2.1 Maintenance Division Staffing

Although over 30 types of management reports are available to evaluate the productivity of the SFHA's Maintenance Division, this Division cannot account for approximately 94 percent of the direct labor hours expended by its custodial staff who receive an average \$48,257 each in salaries and benefits annually, and cannot account for approximately 97 percent of such hours expended by its laborer staff who receive an average \$55,562 each in salaries and benefits annually. These two building craft classifications represent approximately 60 percent or 118 positions of the SFHA's total maintenance staff of 197 positions. Annual salaries and benefits for the Maintenance Division's 118 laborers and custodians amount to \$6.25 million or 50 percent of the Maintenance Division's total annual salary cost of \$12.5 million for its 197 building craft positions.

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Members, Board of Supervisors
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The number of building craft personnel in the Maintenance Division has increased by 96 positions, or 95 percent during the past four years. The SFHA FY 1993-94 operating budget also includes an additional 34 temporary and permanent building craft positions and additional expenditures for overtime at a cost of \$957,000 in FY 1993-94. This additional maintenance staff of 34 positions as well as the additional overtime is not justified.

By increasing the level of accountability over its building crafts personnel and by utilizing performance standards, the Maintenance Division of the SFHA could effectively perform its function without an additional 34 permanent and temporary staff and without additional expenditures for overtime, thereby realizing one-time savings of \$669,000 and ongoing savings of \$288,000 for a total savings of \$957,000 in FY 1993-94.

Section 3.1 Financial Reporting and Audit Follow-up

The SFHA does not prepare and submit audited financial statements to the U.S. Department of Housing and Urban Development (HUD) in compliance with Federal deadlines. Audited financial statements have still not yet been issued to HUD for fiscal years 1990-91 and 1991-92. In addition, the SFHA has not adequately monitored the status of the implementation of prior years' audit report recommendations. Management reports containing the status of prior audit report recommendations have not been updated since October of 1991. As a result, the SFHA has failed to correct management and internal control weaknesses in a timely manner. For examples:

- In FY 1986-87, the SFHA's financial auditors determined that the SFHA did not reconcile its Section 8 program tenant files with its Section 8 landlord payment files. The SFHA's financial auditors concluded that unauthorized payments could be made to a landlord without being detected. Section 1.1 of this report documents that this internal control weakness has still not been corrected and overpayments to landlords estimated at \$1,500,000 have been made since 1990, resulting in an estimated \$246,000 of unrecovered overpayments to landlords.
- The SFHA's financial auditors determined in FY 1988-89 that the SFHA was not reconciling its checking accounts on a monthly basis. This internal control weakness has still not been corrected. The SFHA's two largest checking accounts, from which more than \$40 million in checks are issued annually, have not been reconciled since March of 1993.
- In FY 1989-90, the SFHA's financial auditors recommended that all personnel be annually evaluated and that a well devised accounting manual and appropriate training programs be established. Although the SFHA had indicated to the U.S. Department of Housing and Urban

Development that these recommendations were implemented, the Budget Analyst determined that no accounting manual currently exists and that the SFHA did not conduct any formal performance evaluations during FY 1992-93.

In order to provide a reasonable level of assurance that (a) the SFHA prepares reliable financial statements in a timely manner, (b) the SFHA has promptly corrected past and current internal control weaknesses cited by outside auditors, and (c) the status of findings are accurately reported, the SFHA Commission should immediately fill the vacant position of Director of Internal Audit which has remained vacant since May of 1993. Further, the Commission should require that this position periodically report to the SFHA Commission on the status of current and prior audit report recommendations. Prior to the Director of Audit position becoming vacant, the incumbent was being utilized by the SFHA Executive Director to perform functions unrelated to the internal audit responsibilities, directly resulting in the lack of timely financial reports and inadequate audit follow-up.

Section 3.2 Cash Management and Investments

The existing investment and cash management policy of the SFHA limits investment activity to 1) interest bearing checking and passbook savings accounts and 2) certificates of deposits. This policy is unnecessarily restrictive and results in the SFHA earning a low rate of return on its funds.

As a result, the SFHA earned only approximately 3 percent on an average daily cash balance of \$3.6 million during FY 1991-92. By comparison, the Treasurer of the City and County of San Francisco earned approximately 8 percent on its investment portfolio during this same time period. By pursuing additional safe and prudent investments, such as depositing surplus funds in the trust of the City's Treasurer, the SFHA would realize an estimated \$180,000 annually in additional interest income.

Section 3.3 Use of San Francisco Housing Authority Motor Vehicles

The SFHA lacks an effective means of preventing the unauthorized use of its official vehicles. Several random after hour checks at designated SFHA parking facilities determined that as many as seven automobiles, or approximately 19 percent of its fleet of 37 automobiles, could not be found in their designated locations during non-working hours. The SFHA allows the unrestricted use of its official vehicles by 19 of its employees, including allowing 13 employees to drive their vehicles outside of the City and County of San Francisco for personal use. This practice is estimated to cost approximately \$30,000 annually. As a direct result of driving SFHA vehicles for personal use, the operating and maintenance costs for SFHA vehicles are excessive, and the SFHA faces an unnecessarily high risk of general liability claims. For example:

- One four wheel drive vehicle was driven over 26,000 miles in a 12 month period. An estimated 90 percent or 23,400 of these miles were for personal use;
- The SFHA erroneously paid the City Purchaser for a reported 200 gallon fill up on an SFHA pickup truck, despite the fact that this truck could not accept a capacity of 200 gallons and despite the fact that this truck had been previously removed from the SFHA inventory and sold for salvage;
- One SFHA employee was found to have been involved in both an accident and an arrest for driving under the influence (DUI) while operating a SFHA vehicle during non-working hours. In neither instance did the SFHA seek to verify that the employee was on official business nor take appropriate disciplinary action against the subject employee. Because the employee's license has been suspended, the employee relied on other employees, including his supervisor, to chauffeur him to his assigned tasks. This resulted in an estimated cost of up to \$20,000 annually in staff time diverted from other assigned duties to provide this personal transportation service.

In addition, management controls on vehicle usage are inadequate. The practice of allowing employees to use official SFHA vehicles for personal use should be discontinued immediately.

Section 3.4 SFHA Administrative Staffing

Since FY 1990-91, the SFHA administrative staffing has increased by 31 positions, from 234 positions in FY 1990-91 to 265 positions in FY 1993-94. This 13 percent increase in the administrative staffing to support its conventional housing operations is excessive, particularly since over the past three years, the SFHA has increased the number of available conventional housing units by only 3.1 percent. Further it should be noted that a September, 1992 Department of Housing and Urban Development (HUD) audit report disclosed that SFHA's administrative staffing level exceeded HUD guidelines by approximately 70 percent.

By adopting a reorganization plan that reduces the level of fragmentation in duties and responsibilities among divisions and individuals, increases supervisory span of control and reduces non-essential management layers, and seeks to obtain greater productivity from its employees, it is estimated that the SFHA could reduce its administrative staffing level by 31 positions from 265 to 234 positions, or back to the same level authorized in FY 1990-91. The reduction of 31 administrative staff positions at an average salary and benefit cost of \$48,000 per position, would enable the SFHA to transfer approximately \$1.5 million in administrative costs to its operating reserve or to other needed activities, such as increasing enrollment in the

SFHA's Section 8 Leased Housing Program, or for modernization of existing public housing developments.

The use of an outside consultant to provide labor relations services to the SFHA at a cost of \$70,000 annually is an unnecessary expenditure. Such duties are already included within the scope of responsibility of three of the seven positions within the SFHA's Personnel Department.

Section 3.5 Payment in Lieu of Taxes (PILOT)

A cooperative agreement between the City and County of San Francisco and the SFHA provides for the SFHA's exemption from certain City and County taxes and special assessments, and instead requires the SFHA to pay the City a payment in lieu of taxes (PILOT). Although the cooperative agreement requires that the SFHA receive approval from the Board of Supervisors to have these payments waived, the SFHA neither paid the City for its annual obligations in lieu of taxes, nor has the SFHA received Board of Supervisors approval to waive its PILOT since FY 1989-90. As a result, the SFHA currently owes the City's General Fund approximately \$1.7 million for annual PILOT payments for Fiscal Years 1990-91 through 1992-93.

Since the SFHA had an operating reserve at the end of FY 1992-93 of approximately \$9.2 million, the SFHA should immediately pay the \$1.9 million for its PILOT owed to the City and various special districts for the last three fiscal years. This would directly benefit the City and County of San Francisco's General Fund by an estimated \$1.7 million. The remaining \$200,000 would directly benefit various special districts, including the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District.

Section 4.1 Employee Recruitment and Staff Evaluations

The SFHA does not fully comply with its personnel policies and procedures pertaining to recruitment and staff evaluations. Based on a random sample, the Budget Analyst found that only 18 of the required 32 recruitment and selection procedures were adhered to for the filling of new and vacant positions in 1992. In addition, contrary to SFHA personnel requirements, the Budget Analyst found that the SFHA did not conduct performance appraisals during the last two years. Furthermore, a sample survey of SFHA personnel indicated that 68 percent of the employees were dissatisfied with career opportunities within the SFHA, 70 percent of the employees indicated that SFHA administrative policies and practices were not applied fairly and 75 percent of employees indicated that SFHA criteria for promotions were not clear, appropriate and equitable.

By complying with established personnel policies and procedures, the SFHA will provide adequate assurance that only the most qualified candidates are selected, that all employees are consistently and objectively evaluated and that employees are provided equal access to promotional opportunities.

Report Recommendations

Based on the findings contained in this report, the Budget Analyst has made the following recommendations:

In **Section 1.1**, we recommend that the SFHA:

- 1.1.1 Perform a comprehensive internal audit to identify all overpayments made to landlords that have occurred since June of 1990, and to determine the dollar amount of such overpayments which should be collected from landlords.
- 1.1.2 Based upon the results of this audit, seek repayment from all landlords whose overpayments are still currently outstanding.
- 1.1.3 Establish internal control systems to ensure that new Housing Assistance Program (HAP) contracts cannot be executed for existing active certificate/voucher numbers without first verifying whether a contract exists, and closing the existing contract prior to establishing a new contract. Ensure that only one active HAP contract exists per tenant through the use of a unique client identifier that matches the certificate/voucher number with HAP contracts.
- 1.1.4 Establish a receivable account for overpayments to landlords in order to enable the SFHA to monitor and collect overpayments made to landlords on a timely basis.

In **Section 1.2** we recommend that the SFHA:

- 1.2.1 Perform a comprehensive internal audit to determine the amount of tenant damage claims outstanding and collected for the past five fiscal years. Notify tenants regarding the intent to collect repayments as established in the repayment agreements between the SFHA and its Section 8 Program tenants.
- 1.2.2 Establish accounts receivable records to account for tenant damage claims and administrative procedures to monitor and collect damage payments on a timely basis.

In Section 1.3 we recommend that the SFHA:

- 1.3.1 Develop a cost allocation plan based upon full-time equivalents (FTEs) instead of the number of housing rented units, and use the savings to be achieved by this revised cost allocation plan to provide additional rental housing to an estimated 148 low-income families currently on the Section 8 Leased Housing Program waiting list.

In Section 2.1 we recommend that the SFHA:

- 2.1.1 Reduce FY 1993-94 appropriations for SFHA Maintenance Division salaries, benefits and overtime expenditures by \$957,000.
- 2.1.2 Improve its management reporting systems to provide greater accountability over the direct labor hours expended by the Maintenance Division's unskilled building crafts personnel.
- 2.1.3 Implement performance standards for the Maintenance Division's skilled building crafts personnel.
- 2.1.4 Improve the working relationship between existing property managers and the Maintenance Manager in addition to increasing the level of accountability over the direct labor hours worked by existing custodial staff.

In Section 3.1 we recommend that the SFHA:

- 3.1.1 Immediately fill the vacant position of Director of Internal Audit and require that this position periodically report on the status of past and current audits to the SFHA Commission.

In Section 3.2 we recommend that the SFHA:

- 3.2.1 Place its surplus funds into the trust of the Treasurer of the City and County of San Francisco in order to improve investment earnings.

In Section 3.3 we recommend that the SFHA:

- 3.3.1 Improve the controls of vehicle usage by:
 - Reviewing mileage reporting and monthly fuel consumption records and preparing an annual vehicle needs assessment report based on these reviews;
 - Monitoring the off-hour storage of vehicles;

- Evaluating vehicle assignments;
- Monitoring accidents.

3.3.2 Immediately discontinue the practice of allowing employees to use official SFHA vehicles for personal use and adopt the provisions of the San Francisco Administrative Code which restricts the use of City vehicles to municipal business, limits the use of such vehicles by employees during non-business hours and restricts the home storage of vehicles to the City and County of San Francisco.

In Section 3.4 we recommend that the SFHA:

- 3.4.1** Reduce the SFHA administrative staffing by 31 positions from 265 authorized positions to 234 authorized positions, and eliminate the personal services contract that provides labor relations consulting services.
- 3.4.2** Reduce appropriations for administrative salaries and benefits by \$1.5 million, and for related contractual services by \$70,000 annually, for a total annual reduction of approximately \$1.57 million.
- 3.4.3** Adopt a reorganization plan which reduces the SFHA administrative staff by 31 positions and reduces administrative salary and benefit costs by \$1.5 million and related contractual services by \$70,000 annually.

In Section 3.5 we recommend that the SFHA:

- 3.5.1** Immediately pay its PILOT obligations that have accumulated over the past three years and which are owed to the City, the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District. This will result in the receipt of \$1.7 million to the City's General Fund and \$200,000 to the special districts named above.

In Section 4.1 we recommend that the SFHA:

- 4.1.1** Require full and complete adherence to the SFHA personnel policies and procedures pertaining to the recruitment, selection and evaluation of its employees.

Effect of Recommendations

We estimate that implementation of these recommendations will result in cost savings and increased revenues amounting to an estimated \$2.8 million in FY 1993-94 and an estimated \$2.1 million for every year thereafter. These cost savings and increased revenues consist of the following:

- One-time savings of \$669,000 in FY 1993-94 resulting from the ability to reduce expenditures for temporary and overtime building craft staffing through improved accountability over the productivity of Maintenance Division skilled building crafts personnel;
- Ongoing savings of \$288,000 resulting from the ability to reduce expenditures for permanent building crafts personnel by increasing the level of accountability over the time spent by the Maintenance Division's unskilled building crafts personnel;
- Increased interest earnings estimated at \$180,000 annually from adopting a more flexible, safe and prudent investment policy;
- Reduced expenditures for administrative staffing of \$1.57 million annually through organizational re-alignment and reduced reliance on consultant services;
- Savings of \$50,000 from improved controls over motor vehicle usage.

In addition, implementation of these recommendations will ensure that:

- The SFHA renders a proper accounting of \$246,000 in Section 8 Program landlord overpayments;
- Where possible, the SFHA recovers an estimated \$122,000 in tenant damage claims that have not been accounted for;
- The SFHA will be able to provide additional housing for an estimated 148 applicants currently on the Section 8 leased housing program waiting list by eliminating excessive administrative charges to this Program;
- The SFHA will be able to exercise improved accountability over the status of the implementation of prior audit findings; and,
- The SFHA will render payment on approximately \$1.9 million in past due PILOT payments to the City and County of San Francisco and various special districts.

Written Response of the San Francisco Housing Authority

The complete written response of the San Francisco Housing Authority begins on page 74 of this report. While the SFHA acknowledges that "many areas in the operations of the SFHA still require improvement" and expresses its intention to "tackle many of the issues addressed in this report and to respond to the recommendations which it contains in a manner which will best meet the needs of the residents of public housing", the SFHA Acting Executive Director appears to be negative and is misleading in his 19 page written response to the report of the Budget Analyst. For example, he states in his transmittal letter that "many of the findings are not of a serious nature." We couldn't disagree more strongly.

The SFHA Acting Executive Director stated that some of our findings and recommendations "run counter to national policy for improving public housing" and "do not represent appropriate courses of action for an agency charged with maintaining such a valuable asset (as public housing) in the City of San Francisco." He further stated "We are disappointed, however, that the Budget Analyst has also made a number of recommendations which are completely inconsistent with the SFHA's efforts to enhance services provided to the residents of public housing. We strongly disagree with the Budget Analyst's arbitrary recommendations to eliminate nearly \$1 million in funding which is included in the 1993-94 budget to expand maintenance services in public housing developments for seniors and families. We also strongly disagree with the recommendation to reduce administrative staffing to the 1990-91 level, eliminating positions which have been added to manage new drug elimination, security, and resident economic development programs, and a major expansion in maintenance, modernization, and development activity."

The Budget Analyst does not believe that a national policy exists that is against providing citizens with publicly-subsidized housing in a more efficient, effective and economical manner. The proper implementation of our recommendations will vastly improve the services provided to the residents of public housing in San Francisco.

In response to our finding with respect to landlord overpayments, the SFHA states that "a total of less than \$60,000" has not been recovered "during the three year period considered by the Budget Analyst." This \$60,000 is in contrast to our estimate of \$246,000 in unrecovered overpayments made to landlords. The SFHA further states "the amount of outstanding overpayments is not significant enough" to warrant a complete audit. While \$60,000 may not be significant to the SFHA, it is significant to the Budget Analyst. These funds are taxpayers' funds under the trust, control and responsibility of the SFHA.

The SFHA also objects to our recommendation to reduce temporary and permanent staffing levels within the Maintenance Division. The SFHA states: "The SFHA strongly disagrees with the Budget Analyst's recommendation that the Commission

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reduce the 1993-94 Maintenance budget by nearly \$1 million. Implementation of such a recommendation would have a severe detrimental impact on the quality of maintenance services provided to the residents of public housing."

The SFHA response fails to acknowledge that the staffing increases made in FY 1993-94 are not justified, given the demonstrated lack of accountability over and productivity of existing building crafts personnel. The SFHA also fails to recognize that improved systems of accountability and improved productivity can only enhance the extent and quality of services provided to the residents of public housing. Furthermore, the SFHA fails to acknowledge that the savings which would result from improved systems of accountability could be applied to capital improvements.

The SFHA disagrees with our recommendation to eliminate the outside consulting contract which provides labor relations services. The SFHA stated "This arrangement has been maintained under five previous Executive Directors, who have concluded that it was most effective to provide overall labor relations and contract negotiations through a personal services contract with a consultant who reports directly to the Executive Director... The consultant's expertise and history in labor relations are well recognized."

We are neither questioning the consultant's expertise nor his history in labor relations. What we are questioning is an expenditure for an outside consultant for work that can and should be performed by existing staff. The fact that the consultant has been maintained under five previous Executive Directors is not justification for an unnecessary expenditure.

The response of the SFHA constantly refers to the fact that the expenditures which the Budget Analyst believes should be reduced or eliminated are "grant-funded." We have not made such a recommendation. Furthermore, grant funds are still Federal taxpayers' funds. The citizens of San Francisco must pay Federal taxes as well as local and State taxes.

The SFHA also contends that the implementation of our recommendation to repay the City and County of San Francisco and various special districts \$1.9 million in past due payments in-lieu of taxes would seriously undermine the financial stability of the SFHA. This statement is simply not true. The SFHA's own estimates indicate that it will have an operating reserve of approximately \$8 million at the end of the current fiscal year, as compared to a reserve of \$9.2 million on hand as of October 1, 1993. The \$8 million operating reserve balance represents nearly 22 percent of the SFHA's approximately \$37 million operating budget for its Conventional Housing Program. By comparison, the City and County of San Francisco operates with General Fund Reserves of approximately \$15 million or slightly more than one percent of the City and County's General Fund budget of approximately \$1.34 billion. Therefore, the current SFHA's operating reserve balance, even after

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repaying the delinquent PILOT obligations of \$1.9 million owed to the City's General Fund and owed to other San Francisco special districts, would result in an estimated operating reserve balance of \$6.1 million, which would be proportionately 16 times greater than the General Fund Reserves of the City and County of San Francisco.

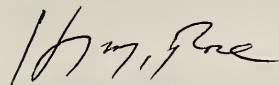
With all of the strong, numerous disagreements contained in the written response of the SFHA, it is interesting to note that, according to its written response, the SFHA fully or partially concurs with 14 or 70 percent of the 20 recommendations contained in the Budget Analyst's report.

The Budget Analyst's complete rebuttal to the SFHA's written response begins on page 94 of this report.

Acknowledgment

A successful management audit is a collaborative effort. Management audit staff must rely heavily upon key personnel within the organization under review to identify opportunities for improvement and to develop workable solutions to any problems identified. Therefore, we greatly appreciate the assistance of the management and staff in conducting this management audit. Accomplishment of this management audit would have been more difficult without such cooperation.

Respectfully submitted,



Harvey M. Rose
Budget Analyst

cc: President Alioto	Teresa Serata
Supervisor Bierman	Robert Oakes
Supervisor Hallinan	Ted Lakey
Supervisor Hsieh	San Francisco Housing Authority (SFHA)
Supervisor Kaufman	Commissioners
Supervisor Leal	SFHA Acting Executive Director
Supervisor Maher	
Supervisor Migden	
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Mayor Jordan	
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BOARD OF SUPERVISORS
BUDGET ANALYST

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INTRODUCTION

At the request of the San Francisco Board of Supervisors, the Budget Analyst has conducted a management audit of the San Francisco Housing Authority (SFHA).

Audit Scope

The scope of this audit included a detailed review of the following SFHA programs and operating functions:

- Section 8 Leased Housing;
- Conventional Housing Management and Operations;
- Capital Programs; and,
- Finance and Administration

The scope of this audit also included a review of prior financial and management audit reports prepared by the Department of Housing and Urban Development Office of the Inspector General, by the SFHA's Internal Audit Department and by SFHA's independent certified public accountants. These management and financial audit reports were reviewed to determine whether the SFHA has implemented the recommendations contained within these audit reports to improve the overall management and financial reporting practices of the SFHA.

Other areas reviewed included an evaluation of the organizational structure and personnel policies to identify opportunities for increased productivity and cost effectiveness.

This audit included the following procedures:

- Interviews with key personnel within the San Francisco Housing Authority (SFHA), in order to understand the purpose and scope of SFHA activities;
- Collection and analysis of detailed information and data extracted from various department files and information systems pertaining to the SFHA's staffing, administrative procedures and systems employed to perform SFHA-related activities;
- Analysis of previous audit reports and special studies conducted by Federal audit agencies, external financial auditors and internal auditors;
- Formulation of recommendations to rectify deficiencies identified and to improve the level and quality of operations and procedures related to the SFHA.

SFHA Organization

The SFHA has the responsibility for the construction, development and administration of Federally-subsidized, low-rent public housing projects and private rental units (Section 8 Leased Housing) in San Francisco. Currently, there are

6,757 conventional public-housing units and 5,419 federally subsidized private rental units in San Francisco. A seven-member commission has oversight responsibility for the operations of the SFHA. Each commissioner is appointed by the Mayor. The Commission of the SFHA is also responsible for appointing the Executive Director and for establishing appropriation and staffing levels.

The SFHA is divided into five major organizational units. These units are as follows:

- 1) The Management and Operations Division performs the administration of the Conventional Housing (public housing units) and Section 8 Leased Housing program (housing units in the private rental market), and also performs maintenance for the Conventional Housing Program;
- 2) The Planning and Design Division develops the plans and specifications for capital improvement projects;
- 3) The Rehabilitation and Construction Division implements capital improvement projects;
- 4) The Finance and Administration Division manages the financial activities of the SFHA and also provides personnel services, materials management and information systems support for the SFHA;
- 5) The Office of the Executive Director and General Counsel provides overall management of the SFHA, serves as staff to the SFHA Commission and performs contract review and litigation services the SFHA.

Effect of Recommendations

This management audit report consists of ten sections and contains a total of 20 recommendations. Successful implementation of the recommendations contained within this report will not only improve the ability of the SFHA to carry out its duties in a manner consistent with Federal regulations, but will also enhance its ability to operate in a more cost effective manner. We estimate that annual and one-time savings and revenues of approximately \$2.8 million will result from implementation of the recommendations contained in this report (consisting of \$957,000 in Maintenance Division savings, \$180,000 in additional interest income, \$50,000 in savings in the use of SFHA motor vehicles, \$1.5 million in administrative cost savings and \$70,000 in savings for labor relations consultant services).

In addition to these savings, Section 1.1 through Section 1.3 of this management audit report recommends significant improvements in the administrative controls over landlord overpayments and tenant damage claims in the Section 8 Leased Housing Program. We estimate that up to \$246,000 in landlord overpayments (\$54,000 in other overpayments have been documented as recovered by the SFHA) and up to \$122,000 in tenant damage claims payments (\$88,000 in other damage claims payments have been documented as recovered by the SFHA) can be collected by the SFHA. Also, by allocating

administrative costs to the Conventional Housing Program instead of the Section 8 Leased Housing Program, additional direct housing subsidies could be provided to an estimated 148 applicants currently on the Section 8 Leased Housing waiting list.

Further, Section 3.5 of this report discusses the SFHA's payment-in-lieu of taxes (PILOT) to the City and County of San Francisco. Implementing the recommendation in this section would result in a one-time payment of approximately \$2.1 million to the City and County of San Francisco and to various special taxing districts, including an estimated \$1.9 million for the City's General Fund.

In addition, this management audit report recommends that the Commission of the SFHA adopt major policy initiatives to:

- Reduce the level of SFHA administrative staffing;
- Decrease various administrative expenditures, thereby increasing funds available in the operating reserve;
- Revise allocation of administrative salary and benefit costs between the Conventional Housing Program and the Section 8 Program; and,
- Increase the availability of Section 8 leased housing units.
- Fill the current vacant position of Director of Internal Audit and require that this position report directly to the SFHA Commission to provide improved monitoring and reporting of the status of prior audit recommendations.

Major Accomplishments and Acknowledgments

A successful management audit is a collaborative effort. Management audit staff must rely heavily upon key personnel within the organization under review to identify opportunities for improvement and to develop workable solutions to any problems identified. An objective of a management audit is to identify deficiencies and to identify opportunities for improvement. However, the accomplishments of the SFHA should not be overlooked. These accomplishments include the following:

- Obtaining a rating of "standard performer" for Fiscal Years 1991-92 and 1992-93 and the resulting removal from the U.S. Department of Housing and Urban Development (HUD) list of financially troubled public housing authorities;
- Establishment of an operating reserve of approximately \$9.2 million or approximately 25 percent of the SFHA's FY 1992-93 \$36.5 million operating budget for conventional housing, and retirement of all outstanding indebtedness in FY 1991-92;
- Acquiring \$86.2 million in Federal comprehensive grant funds during the past four years to rehabilitate and modernize SFHA public housing developments; and,
- Achieving an average occupancy rate for its public housing projects in excess of 97 percent during FY 1992-93 compared to approximately 90 percent in FY 1988-89.

SECTION 1.1 HOUSING ASSISTANCE PROGRAM OVERPAYMENTS

- **THE SAN FRANCISCO HOUSING AUTHORITY (SFHA) DOES NOT HAVE SUFFICIENT FINANCIAL CONTROLS TO PREVENT OR DETECT UNAUTHORIZED HOUSING ASSISTANCE PROGRAM (HAP) PAYMENTS TO PRIVATE LANDLORDS IN THE SECTION 8 LEASED HOUSING PROGRAM.**
- **EXISTING PROCEDURES DO NOT ENSURE THAT HOUSING ASSISTANCE PROGRAM (HAP) CONTRACTS ARE TERMINATED PROMPTLY. AS A RESULT, SECTION 8 LANDLORDS FREQUENTLY RECEIVE RENT PAYMENTS FOR VACATED UNITS.**
- **NO PERIODIC RECONCILIATION EXISTS BETWEEN THE SECTION 8 LANDLORD PAYROLL AND THE LIST OF TENANTS WHO PARTICIPATE IN THE SECTION 8 LEASED HOUSING PROGRAM. CONSEQUENTLY, DUPLICATE PAYMENTS ARE OFTEN MADE FOR THE SAME TENANT TO DIFFERENT LANDLORDS. AS ONE EXAMPLE, A LANDLORD CONTINUED TO RECEIVE SUBSIDY PAYMENTS FROM THE SFHA FOR SIX MONTHS DESPITE THE FACT THAT THE TENANT HAD BEEN EVICTED SIX MONTHS EARLIER.**
- **ALTHOUGH THE SFHA HAS BEEN AWARE OF THESE INTERNAL CONTROL DEFICIENCIES SINCE AS EARLY AS FISCAL YEAR 1986-87, THE EXISTING SFHA PROCEDURES TO ACCOUNT FOR LANDLORD OVERPAYMENTS ARE STILL INADEQUATE.**
- **AS A RESULT, THE SFHA HAS OVERPAID LANDLORDS AN ESTIMATED \$1.5 MILLION SINCE JUNE, 1990. ALTHOUGH THE SFHA HAS BEEN ABLE TO DEDUCT OVERPAYMENTS FROM LANDLORDS THROUGH SUBSEQUENT LANDLORD PAYMENT WITHOLDINGS AND OTHER MEANS OF COLLECTIONS, IT IS ESTIMATED THAT APPROXIMATELY \$246,000 OR 16 PERCENT OF THE AMOUNT OVERPAID TO LANDLORDS DURING THE PAST THREE YEARS HAS NOT BEEN RECOVERED BY THE SFHA.**

Introduction

The Section 8 Leased Housing Program (Section 8 program) subsidizes rental payments in the private rental market for Section 8 participants. In FY 1992-93, approximately 5,419 families participated in the Section 8 Program and the SFHA disbursed approximately \$37 million in housing assistance payments.

Applicants to the Section 8 program must meet certain income eligibility requirements. After an initial screening process, eligible applicants are provided certificates/vouchers that enable them to find housing in the private rental market that the SFHA will subsidize. The number of certificates/vouchers that are issued in San Francisco is based upon the amount of the annual allocation received by the U.S. Housing and Urban Development Department (HUD), as determined by a formula. In addition, the Section 8 program receives HUD grant funds for targeted populations, such as the homeless. Currently, there is a waiting list in San Francisco for Section 8 housing of approximately 1,139 applicants. No applicants have been added to the Section 8 waiting list since 1986. A minimal number of new applicants have entered the Section 8 program. These applicants have entered the Section 8 program as a result of special HUD grant-funded programs, and as a result of existing certificate/voucher holders that have left the Section 8 program.

The Leased Housing Division (in the Management and Operations Unit) of the SFHA is responsible for enrolling applicants and operating the Section 8 Program. The Finance and Administration Division of the SFHA is responsible for all of the financial aspects of the Section 8 Program, such as issuing payments to the landlords. When a Section 8 Program tenant finds suitable housing, the Leased Housing Unit staff will inspect the Section 8 units to ensure housing quality standards are met. The SFHA establishes a Housing Assistance Payment (HAP) contract between the owner and the SFHA. The contract sets the total rent paid to the owner and the program regulations to which the owner must adhere. A lease is executed between the certificate/voucher holder (tenant) and the owner.

Under the Section 8 program, the SFHA will provide a monthly subsidy directly to the landlord, and the tenant will pay the remaining unsubsidized monthly rental payment directly to the landlord. The HAP contract will signify the amount of monthly HAP payments that are provided directly to the landlord. A staff person in the Leased Housing Division maintains a log of all new HAP contracts executed. After a new HAP number is issued to the tenant, the Finance and Administration Division will then establish the new account in their payment system. At the beginning of each month, the Finance and Administration Division automatically produces a check to the landlord for the HAP payment amount specified in the HAP contract.

Budget Analyst's Evaluation of the SFHA's Financial Controls over the Section 8 Program

As part of this management audit, the Budget Analyst evaluated the SFHA's financial controls over the Section 8 Program. This evaluation included the following:

- A review of the SFHA's policies and procedures, employee job descriptions and organizational charts to determine the respective duties and responsibilities of the Leased Housing Division and the Finance and Administration Division in administering the Section 8 Program;
- A review of existing systems used to account for Section 8 Program landlord payments and to prevent or detect the unauthorized disbursement of Section 8 Program funds; and
- Extensive interviews with supervisory and line staff within the Finance and Administration Division and Leased Housing Division as well as statistical sampling of various source documentation.

Based upon this review, the Budget Analyst identified the following internal control weaknesses within the Section 8 Program:

- The SFHA does not cancel Housing Assistance Program (HAP) contracts in a timely manner. As a result, Section 8 Program landlords have frequently continued to receive payment for a unit that has been vacated. Whenever a tenant moves into a new unit, a new HAP contract with a new landlord will be executed. However, without canceling the existing contract in a timely manner, the landlord of the unit previously occupied by the tenant will continue to get paid even though the tenant has vacated the unit. For example, one tenant vacated a unit effective February 15, 1992, but because the SFHA did not cancel this contract in a timely manner, the landlord continued to receive payment for the rest of February, 1992 and for March, 1992, as a check was automatically generated to the landlord at the beginning of the month.¹
- The SFHA does not perform a periodic reconciliation of its Section 8 Program landlord payroll with its list of Section 8 Program tenants. Tenants are currently identified by a Section 8 certificate/voucher number, but there is not a unique client identifier that matches certificate/voucher number with a HAP contract number. As a result, the SFHA is unable to promptly detect whether duplicate HAP payments are being made. For example, one tenant was evicted from a Section 8 unit in March, 1993, and entered into another Section 8 HAP contract in May, 1993, without canceling the previous contract. The previous landlord that evicted the tenant continued to receive payment for six months until August, 1993, although the tenant had been evicted in March, 1993.

¹The tenant is a certificate-holder, and the requirements for a certificate-holder specify that the landlord may not retain payment for the month during which the family moved.

- The SFHA lacks the accounting procedures necessary to ensure that overpayments to landlords are subsequently recovered. If a landlord operates more than one unit, then any overpayments that are identified are deducted from landlord payments in subsequent months. However, there is no mechanism to ensure that landlord overpayments are recovered for landlords that operate only one unit.

The SFHA Does not Cancel Housing Assistance Program (HAP) Contracts in a Timely Manner.

A HAP contract between the landlord and the SFHA can be canceled for any of the following reasons:

- The tenant is no longer eligible or declines further participation in the Section 8 Program;
- A Section 8 Program landlord violates the HAP contract provisions and the SFHA decides to terminate the contract;
- A Section 8 Program tenant is evicted; or
- A Section 8 Program tenant changes his or her place of residence.

Based upon discussions with Leased Housing Division staff, and based upon a review of source documentation, the majority of Housing Assistance Program contract terminations are due to a change of residence by a Section 8 program tenant.

Once any of the preceding reasons for cancellation has occurred, the Leased Housing Division is required to inform the Finance and Administration Division to cancel the existing HAP contract between the Section 8 Program landlord and the SFHA. In addition, the Leased Housing Division instructs the Finance and Administration Division to withhold further Housing Assistance Program payments to that landlord.

In order to evaluate whether HAP contracts were canceled and payments are withheld in a timely manner, we analyzed inter-departmental correspondence, various source documentation, and conducted a limited random sample of all new HAP contracts for the 16 month period between December, 1991 and March, 1993, in order to verify the reliability of departmental source documentation.² For those new HAP contracts that were entered into as a result of a tenant change in residence (i.e. tenant transfer), the old HAP contracts were tracked to determine whether the SFHA continued to make payments.

² This audit procedure was necessary because neither the Finance and Administration Division or the Leased Housing Division keep track of Housing Assistance Program contract terminations.

Based upon this review, the following findings were identified:

- An estimated \$40,000 in monthly overpayments are made to landlords, consisting of \$32,000 in monthly overpayments to landlords with multiple units, and \$8,000 in monthly overpayments to landlords with one unit.
- Given that an estimated \$40,000 a month in total overpayments are made to landlords, an estimated \$1.5 million in landlord overpayments have been made during the past three years. This \$1.5 million in overpayments consists of \$1.2 million in overpayments made to landlords that have multiple units, and \$300,000 in overpayments made to landlords that have only one unit since June, 1990.
- The SFHA can deduct overpayments identified for landlords that operate more than one unit, but lacks the necessary procedures to collect overpayments from landlords that operate only one unit. Therefore, although the Budget Analyst has estimated that \$1.2 million in overpayments for landlords that have multiple units have been recovered, an estimated \$54,000 out of \$300,000 in overpayments that have been made to landlords that have only one unit.³ Consequently, \$246,000 in overpayments have not been recovered.⁴

The SFHA does not reconcile the Section 8 Program landlord list with its list of Section 8 Program participants

As noted, Section 8 participants are provided certificates/vouchers that enable participants to rent units. One unique certificate/voucher exists for each Section 8 participant. For newly issued HAP contracts, a Section 8 staff person will

³This \$54,000 is an estimated maximum amount of recoveries for landlords with one unit. The SFHA reports that up to \$2,700 of this \$54,000 has been deducted from landlords with multiple units.

⁴Based upon a review of internal SFHA correspondence, \$8,096 monthly in overpayments are made to landlords that operate only one unit (or \$307,610, since June, 1990), and on average the SFHA is recovering overpayments from landlords that operate more than one unit by a monthly estimated \$32,374 (or \$1,230,212 since June, 1990).

The Budget Analyst's statistical sample corroborates the estimated overpayments. A total of 966 new contracts were entered into between December, 1991 and March, 1993. 97 new contracts were surveyed (10 percent). Of the 97 contracts surveyed, 50 records (approximately 52 percent of those sampled) were a result of the tenant moving to a new unit (i.e. tenant transfer). The remaining 47 records (approximately 48 percent of those sampled) were new program participants. Overpayments occur 32 percent of the time, or an average overpayment of \$266 per transfer (i.e. tenant moves to a new unit). Estimated 31 transfers per month X \$266 average overpayment X 38 months (since July, 1990) = \$313,418.68 for landlords. Annual overpayments estimated 31 transfers X \$266 average overpayment X 12 months = \$98,976. This estimate is adjusted for landlord payments that have been deducted in subsequent payments.

update a HAP register, and transmit the contract to the Finance and Administration Division, to establish a new HAP contract. Based upon a review of the procedures for executing a new HAP contract, the following internal control weaknesses were identified:

- Although a reference to the certificate/voucher number is included on the newly executed HAP contract, there is no system control that requires that only one unique client identifier exists for each program participant. Consequently, more than one HAP contract can exist for each certificate/voucher holder, and therefore more than one landlord can be paid for the same tenant.

In order to determine whether duplicate landlord payments were being made on behalf of a single Section 8 Program tenant, the Budget Analyst requested a list of all currently active tenants with HAP contracts, sorted by tenant name, as of August, 1993. Based upon a visual inspection of this list, the Budget Analyst documented 44 active tenants who had the same first and last name (88 total records) out of a total of 5,419. The Budget Analyst then requested the corresponding tenant files for each of these individuals to determine whether duplicate records existed for the same tenant or whether two separate Housing Assistance Program tenants had, by coincidence, the same name. The results of this analysis are as follows:

- In 21 instances, Budget Analyst staff identified more than one HAP contract for the same tenant. In one of these instances the SFHA had made duplicate payments to a landlord estimated at \$5,800 over an eight month period;
- In 18 out of 21 instances cited above, instructions to cancel the HAP contracts were not given to the Finance and Administration Division until Budget Analyst staff had requested to review the corresponding tenant files to determine whether a duplicate HAP contract existed.

Lack of Accounting Procedures for Recovery of Landlord Overpayments with only One Unit

The Finance and Administration Division is responsible for identifying and collecting any overpayments that have been made to landlords. Monthly HAP payments are paid from a HAP fund expense account. The following procedures apply whenever an overpayment is identified:

- If the landlord has more than one Section 8 Program tenant, any future payments are offset by the amount of the overpayment;
- If no additional tenants exist and no payment offset can be made, the Finance and Administration Division submits a written request to the landlord seeking reimbursement.

Procedures used to account for the collection of landlord overpayment reimbursements are as follows:

- Once reimbursements have been received, the Finance and Administration Division credits the Housing Assistance Program payments expense account.

The Budget Analyst has determined that these procedures are not adequate to render a complete accounting of the amount of landlord overpayments being made, and do not provide for adequate follow up of landlord reimbursements for such overpayments. The Finance and Administration Division also lacks management information pertaining to the following:

- The amount of total landlord overpayment receivables;
- The amount of overpayments collected;
- The amount of overpayments that are outstanding.

Due to the lack of adequate procedures to identify and account for Housing Assistance Program landlord overpayments, and the absence of any meaningful management reporting system, the Budget Analyst has determined that:

- The Finance and Administration Division is unable to determine the total amount of Housing Assistance Program overpayments made to landlords during FY 1990-91 through FY 1992-93;
- Based upon a review of SFHA internal correspondence, source documentation, and statistical sampling of these internal documents, the Budget Analyst estimates that approximately \$1.5 million in landlord overpayments have been made during the past three years. Although the SFHA has been able to deduct overpayments from landlords through subsequent landlord payment withholdings and other means of collections, it is estimated that approximately \$246,000 or approximately 16 percent of the amount overpaid to landlords during the past three years has not been recovered.

The SFHA has been aware of Internal Control Problems pertaining to Section 8 Program Payments since FY 1986-87

The SFHA has been aware that problems exist regarding the identification and collection of overpayments since as early as FY 1986-87, and has not taken any corrective action. The independent financial auditors in FY 1986-87 found that there was no review of the Section 8 master file, and that Section 8 payments could be made to unauthorized persons, and fictitious vendors.⁵

It was also reported in June, 1990 that the SFHA had no procedure or system to monitor the collections and the outstanding balances from landlords that operate only one unit. At that time, outstanding overpayments to landlords were in excess of

⁵SFHA, Independent Public Auditor's Report for the year ended September 30, 1987.

\$88,000 from December, 1989 through June, 1990.⁶ Budget Analyst staff has similarly found that even though the SFHA was aware of these overpayments and lacked the collection procedures to correct the weakness as early as 1990, more than \$300,000 has been overpaid to landlords that operate only one unit since June, 1990, when these overpayments were last identified (approximately \$97,000 annually).

CONCLUSION

Budget Analyst staff has identified internal control weaknesses regarding the issuance of Housing Assistance Payments to landlords. The SFHA lacks the internal controls to cancel payments to landlords in a timely manner, to ensure that duplicate contracts do not exist for the same tenant or to monitor the amount of overpayments issued, collected and outstanding. As a result, out of an estimated \$1.5 million in overpayments made to landlords over more than a three year period, since June, 1990, the Budget Analyst has estimated that \$1.2 million in overpayments for landlords that have multiple units have been recovered. However, the SFHA can only document the recovery of \$54,000 out of \$300,000 in overpayments that have been made to landlords that have only one unit. Consequently, \$246,000 in overpayments have not been recovered.

RECOMMENDATIONS

It is recommended that the SFHA:

- 1.1.1 Perform a comprehensive internal audit to identify all overpayments that have occurred since June, 1990, and to determine the dollar amount of overpayments which should be collected from landlords.
- 1.1.2 Based upon the results of this audit, seek repayment from all landlords who have overpayments currently outstanding.
- 1.1.3 Establish internal control systems to ensure that new HAP contracts cannot be executed for existing active certificate/voucher numbers without first verifying whether a contract exists, and closing the existing contract prior to establishing a new contract. Ensure that only one active HAP contract exists per tenant through the use of a unique client identifier that matches the certificate/voucher number and HAP contract.
- 1.1.4 Establish a receivable account for overpayments to landlords in order to enable the SFHA to monitor and collect overpayments in a timely basis.

SAVINGS/BENEFIT

The SFHA could collect up to an estimated \$246,000 in outstanding landlord overpayments from June, 1990. Future landlord overpayments can be avoided altogether through the implementation of these recommendations.

⁶Memo from Jamal Baraghani, SFHA Budget Analyst, June 25, 1990.

SECTION 1.2 REIMBURSEMENT OF TENANT DAMAGE CLAIMS

- **THE SFHA IS OBLIGATED TO REIMBURSE PRIVATE LANDLORDS FOR ANY DAMAGES, INCLUDING UNPAID RENT OR DAMAGES CAUSED BY ITS SECTION 8 PROGRAM PARTICIPANTS.**
- **DURING THE PAST TWO FISCAL YEARS, THE SFHA HAS PAID AN ESTIMATED \$210,000 IN DAMAGE CLAIMS TO SECTION 8 LANDLORDS.**
- **ALTHOUGH THE SFHA HAS THE AUTHORITY TO SEEK REIMBURSEMENT FROM SECTION 8 PROGRAM TENANTS FOR THE DAMAGE CLAIMS PAID TO LANDLORDS, THE SFHA DOES NOT AGGRESSIVELY SEEK SUCH REIMBURSEMENTS FROM TENANTS, DOES NOT ADEQUATELY ACCOUNT FOR DAMAGE CLAIMS PAID, AND DOES NOT MONITOR THE STATUS OF ITS COLLECTION EFFORTS.**
- **AS A RESULT, \$88,000 OR ONLY 42 PERCENT OF THE \$210,000 IN DAMAGES PAID TO LANDLORDS OVER THE PAST TWO FISCAL YEARS HAS SUBSEQUENTLY BEEN COLLECTED FROM SFHA TENANTS, AND \$122,000 HAS NOT BEEN COLLECTED.**
- **BY IMPROVING THE MANAGEMENT OF TENANT DAMAGE CLAIM COLLECTION ACTIVITIES, SUCH AS IDENTIFYING THROUGH PROPER ACCOUNTING PROCEDURES THE AMOUNTS DUE FROM SECTION 8 TENANTS, AND BY MORE CLOSELY MONITORING THE STATUS OF ITS COLLECTION EFFORTS, THE SFHA COULD GREATLY IMPROVE COLLECTIONS OF TENANT DAMAGE CLAIMS OWED BY SECTION 8 PROGRAM TENANTS.**

Introduction

The Section 8 Leased Housing Program subsidizes housing for program participants in the private rental market. Tenants sign a lease agreement with the owners under which the tenants will be responsible for a portion of the rent, based upon the income of the family. A separate Housing Assistance Payment (HAP) agreement is established between the owners and the San Francisco Housing (SFHA) for the subsidized portion of the rent. A separate HAP agreement is initiated each time the tenant moves to a new unit (See Section 1.1 of this report). Tenant damages can occur for the following reasons:

- Unpaid rent, including payments if the tenant vacates the unit without proper notification; or
- Tenant-caused damages to the unit.

When the lease is terminated (e.g. when the tenant wants to move), the SFHA inspects the unit. The landlord also can instead request a vacant inspection if the tenant has left the unit prior to the effective termination date of the lease agreement. The owner may deduct any unpaid rent or damages from the security deposit. If the unpaid rent or damages exceeds the amount of the security deposit, the owners can file a claim with the SFHA. However, an inspection must occur prior to filing a claim with the SFHA. The claim is then reviewed, and the SFHA may pay the landlord the lower amount of either a) the remaining amount owed to the owner; or b) two months contract rent.

SFHA's Policies Pertaining to Collection of Tenant Damages

Existing SFHA policies require that Section 8 Program tenants be held responsible for any damage claims that the SFHA must pay out to landlords on their behalf. The following procedures have been established to ensure that damages are recovered from Section 8 Program tenants:

- Before executing a new housing assistance program contract on behalf of the tenant, SFHA policies and procedures require that "the household has no outstanding debt with the SFHA. If such a debt exists, the tenant must clear it or sign a document (promissory note) to repay it within a twelve month period."¹
- In addition, SFHA policies and procedures provide that the SFHA may terminate the lease with the tenant if the household refuses to repay the SFHA amounts due for special claims paid to the owner by the SFHA on the family's behalf.²

The SFHA does not have Adequate Accounting Procedures for Tenant Damage Claims and the SFHA does not Monitor the Status of its Collection Efforts

Based upon a review of the SFHA's tenant damage claim accounting systems, and the subsequent collection of such payments to landlords, the Budget Analyst has determined that existing systems are inadequate to ensure that the SFHA's collection policies are followed. In addition, based upon a review of various SFHA source documentation, the Budget Analyst has determined that the SFHA does not adequately monitor the status of its collection efforts.

¹SFHA Administrative Plan for Section 8 "Existing" Certificate and Housing Voucher Programs, pages 48-49.

²Assistance may not be terminated because the household owes the SFHA money if no repayment agreement has been signed and the household remains in the same unit.

Due to the lack of an adequate system to account for tenant damage claims, the SFHA was unable to provide the Budget Analyst with a proper accounting of payments that are currently due from Section 8 Program tenants. In addition, the SFHA was unable to readily identify those Section 8 program tenants that had not yet entered into a repayment agreement. In order to determine the amounts currently due from SFHA Section 8 Program tenants, the Budget Analyst performed the following analytical procedures:

- Obtained a Comprehensive listing of all payments made to landlords for tenant damage claims for the past two fiscal years (FY 1991-92 and FY 1992-93);³
- Reviewed general ledger reports detailing tenant damage claim payments received for the past five fiscal years (FY 1987-88 to FY 1992-93);⁴ and
- Conducted a random sample of tenant damage payments made to landlords from FY 1992-93.⁵

Based upon these procedures, the Budget Analyst determined:

- A total of \$210,000 in tenant damage claims have been paid during Fiscal Years 1991-92 and 1992-93. However, the SFHA has recovered from Section 8 Program tenants only \$88,000 or 42 percent, with \$122,000 or 58 percent not collected for these two fiscal years.⁶ Although collections have increased for these past two fiscal years, the SFHA has only collected on average less than \$13,000 annually from FY 1987-88 to FY 1990-91.⁷ However, because the SFHA was unable to document the amount of tenant damages paid to landlords for the same time period, the collection rate cannot be specified; and
- In 30 cases sampled, in which damage claims were paid to Section 8 program landlords, the SFHA had only obtained repayment agreements from 14 tenants or 46 percent of the 30 cases sampled. In addition, for those tenants that had entered into repayment agreements, the SFHA was unable to identify whether tenants had stopped paying.

³Request from the Budget Analyst to the Controller, SFHA, August 11, 1993. Three fiscal years were originally requested but this request was subsequently revised because of the lack of documentation available from the SFHA.

⁴General Ledger Report (GL10144), as of August 12, 1993.

⁵A sample of \$24,976 in payments to 32 landlords was taken from October, 1992, November, 1992 and January, 1993.

⁶The SFHA reports that a portion of these collections cannot be obtained from tenants that are deceased or that have left the Section 8 program.

⁷A total of \$49,522.22 has been collected from FY 1987-88 to FY 1990-91, which is an average of \$12,380.55 annually.

Section 1.1 of this report discusses the weaknesses that exist within SFHA's system to account for Housing Assistance Program overpayments. These weaknesses include the following:

- The failure of SFHA to establish a receivable account whenever an overpayment is identified; and
- The lack of various management information that would indicate the status of existing collection efforts.⁸

The Budget Analyst has determined that similar internal control weaknesses exist within the SFHA's system of accounting for tenant damage claims. For instance, the SFHA should establish a receivable account whenever the SFHA enters into a repayment agreement with SFHA tenants who have damage claims outstanding. Once tenants remit payment, the SFHA should credit the receivable account by the amount of payment. Under current procedures, the SFHA simply credits the expenditure account for tenant payments. Given these inadequate accounting procedures, the SFHA is not able to produce the management information that is necessary to exercise accountability over this collection function.

The Budget Analyst has also determined that the SFHA has not developed management reports which disclose the status of its existing tenant damage claim collection efforts. Information that would be of value to management, but is not currently available, includes the following:

- A tabulation of the number and dollar amount of tenant damage claims paid during a given reporting period;
- A comprehensive listing of the tenants that have not entered into a repayment agreement;
- An aging of accounts receivable, or the amount of time that a receivable has been outstanding, and the number of tenants that have stopped making repayments according to the terms of the agreements;
- A report of current amounts due and collected; and
- A tabulation of claims written off since the last reporting period.

⁸The SFHA does send a letter to tenants when tenants fail to make an initial repayment, and whenever tenant payments are received the payment information is noted in the individual tenant files. However, comprehensive information on the status of payments for all outstanding tenant damages is not available.

CONCLUSION

The SFHA needs to improve its accounting and management reporting systems to provide better accountability over the collection of tenant damage claims from Section 8 Program participants. Of the \$210,000 in damage claims paid to landlords on behalf of Section 8 Program tenants during the past two fiscal years, only \$88,000 has subsequently been documented as a recovery, and therefore, \$122,000 remains outstanding. In addition, based upon a sample of tenant payments received, the SFHA obtained repayment agreements with tenants for only 14 out of 30 cases sampled (approximately 46 percent).

RECOMMENDATIONS

It is recommended that the SFHA:

- 1.2.1 Perform a comprehensive internal audit to determine the amount of tenant damage claims outstanding and collected for the past five fiscal years. Notify tenants regarding the intent to collect repayments as established in the repayment agreements between the SFHA and its Section 8 Program tenants.
- 1.2.2 Establish accounts receivable records to account for tenant damage claims and administrative procedures to monitor and collect damage payments on a timely basis.

SAVINGS/BENEFIT

The SFHA could collect up to \$122,000, or approximately 58 percent of the \$210,000 in tenant damage claims paid during the past two fiscal years, and ensure that all future damage claims are properly reimbursed.

SECTION 1.3 ALLOCATION OF ADMINISTRATIVE COSTS

- **THE SAN FRANCISCO HOUSING AUTHORITY (SFHA) ALLOCATES ADMINISTRATIVE SALARY AND FRINGE BENEFIT COSTS BASED UPON THE NUMBER OF HOUSING UNITS OPERATED IN THE CONVENTIONAL HOUSING PROGRAM AND THE SECTION 8 LEASED HOUSING PROGRAM.**
- **THIS COST ALLOCATION METHOD HAS ENABLED THE SFHA TO FUND AN ESTIMATED \$1.2 MILLION ANNUALLY IN EXCESSIVE ADMINISTRATIVE COSTS.**
- **THROUGH THE ALLOCATION OF ADMINISTRATIVE COSTS IN A MORE EQUITABLE MANNER, BY USING THE NUMBER OF FULL-TIME EQUIVALENT POSITIONS AS AN ALLOCATION BASIS RATHER THAN THE NUMBER OF HOUSING UNITS, THESE FUNDS COULD BE USED TO PROVIDE ADDITIONAL HOUSING SUBSIDIES RATHER THAN FUNDING EXCESSIVE ADMINISTRATIVE COSTS. IT IS ESTIMATED THAT AN ADDITIONAL \$1.2 MILLION WOULD BE AVAILABLE TO PROVIDE HOUSING SUBSIDIES TO PROSPECTIVE SECTION 8 PROGRAM PARTICIPANTS. THE REDUCTION IN ADMINISTRATIVE COSTS CHARGED TO THE SECTION 8 PROGRAM WOULD ENABLE THE SFHA TO PROVIDE HOUSING TO AN ADDITIONAL 148 LOW INCOME FAMILIES, THEREBY REDUCING THE SECTION 8 PROGRAM WAITING LIST OF 1,139 APPLICANTS BY APPROXIMATELY 13 PERCENT.**

Introduction

The San Francisco Housing Authority (SFHA) operates two distinct types of housing programs: a Conventional Housing program (SFHA-operated and managed public housing units) and a Section 8 Leased Housing Program (rental assistance in the private housing rental market).

During each fiscal year, the U. S. Department of Housing and Urban Development (HUD) will provide the SFHA with two separate allocations to operate the Conventional Housing and Section 8 Leased Housing Programs. Funding for these two programs is based on the following:

- Conventional Housing - HUD will allocate funds to cover the cost of operations, based upon its performance funding system;
- Section 8 Leased Housing - HUD will allocate funds, including administrative fees used to defray operating costs, based upon a projection

of the number of units that will be rented during the year, times the fair market rents in San Francisco, times a projected occupancy rate.

The SFHA reports that any remaining appropriated but unexpended funds in excess of projected administrative expenditures from the Section 8 Leased Housing Program are discretionary and can be used for either additional housing subsidies, or for additional administrative costs.¹

Cost Allocation Plan

There are 15 separate administrative departments within the San Francisco Housing Authority (SFHA). The following table summarizes the salary and fringe benefit costs associated with each department.

Table 1.3.1

**Salary and Fringe Benefit Costs
SFHA Administrative Programs²**

<u>Division</u>	<u>Salary and Fringe Benefit Costs</u>
Executive Office	\$938,925
Legal Counsel	191,638
Personnel Services	548,338
Resident Services	559,795
Housing Management	644,204
Conventional Housing	
District Offices	3,878,751
Eligibility	551,689
Leased Housing	1,516,246
Maintenance/Operations	790,858
Rehab/Construction	1,291,115
Planning/Design	849,894
Finance	1,264,803
Materials Mgmt.	729,400
MIS	<u>420,240</u>
Total	\$14,175,896

Administrative salary and fringe benefit costs must be allocated to either the Conventional Housing or Section 8 Leased Housing programs for those employees that have responsibilities administering more than one program.

¹Expenditures of surplus funds are subject to review by HUD, and must be justified by the SFHA.

²SFHA Proration of Salaries, FY 1993-94.

Federal Regulations Regarding Cost Allocation

Although Federal regulations do not specify a cost allocation method, Federal regulations do specify the following³:

- The cost allocation method used must detail the nature and extent of service provided by employees, include expense items and describe the method used in distributing costs;
- The cost allocation method must realistically reflect a fair sharing of salary expense by each program;⁴
- The cost allocation plan must be retained at the local level for audit by a designated Federal agency; and
- Costs allocated must be based on payrolls documented.

SFHA Cost Allocation Method

The SFHA currently allocates salaries and fringe benefits based upon the number of units operated for the Conventional Housing Program and the Section 8 Leased Housing Program. Grants/Other programs are not included in the unit method of allocation, but certain positions funded through Grants/Other funding sources have a portion of their salaries allocated based upon the unit method formula. This unit method of allocating costs is summarized as follows:

Table 1.3.2

**SFHA Current
Cost Allocation Plan⁵**

	<u>Number of Units</u>	<u>Percent</u>
Conventional Housing	6,757	55.5%
Section 8 Leased Housing	<u>5,419</u>	<u>44.5%</u>
Total	12,176	100.0%

For those employees with responsibilities in more than one housing program, salary and fringe benefit costs are distributed according to the above-outlined cost allocation plan. Therefore, for certain positions, up to 44.5 percent of salaries and benefits are charged to the Section 8 Leased Housing Program.

³U. S. Office of Management and Budget (OMB) Circular A-87.

⁴Public Housing Agency Financial Management Handbook. 7475.1.

⁵Source: San Francisco Housing Authority Statistics on the Section 8 Leased Housing Program, 1/11/93. The method for allocating costs for FY 1993-94 uses the same methodology. Two methods are used to allocate costs in the SFHA. Method #2 allocates up to 62 percent to the Conventional Housing Program and up to 38 percent to Section 8 Leased Housing.

As noted, Federal regulations do not specify the cost allocation plan that is required to be used. The current SFHA cost allocation plan that is based upon the number of units per program assumes that an equal amount of time is spent managing the Conventional Housing program as is spent on the Section 8 Leased Housing Program, and therefore the number of rental units accurately reflects the amount of time spent performing duties for each of these programs.

However, the Conventional Housing Program takes more time and effort to administer and operate than the Section 8 Leased Housing Program for the following reasons:

- SFHA is responsible for maintaining the buildings in the Conventional Housing Program. The Section 8 Leased Housing Program only requires an annual inspection of the unit, and the landlords are responsible for the repairs;
- The Conventional Housing Program is responsible for providing and replacing the housing units with standard equipment, such as refrigerators and stoves. The Section 8 Leased Housing Program only requires that units are inspected to ensure that the units meet certain housing quality standards. The Section 8 Leased Housing Program is not responsible for bringing the units into compliance with housing quality standards, but rather the landlords are responsible;
- The Conventional Housing Program provides contract management oversight for various resident services that the Section 8 Leased Housing Program does not provide.

The greater level of service and support provided to the Conventional Housing program clearly indicates that a simple per housing unit method of allocating administrative costs is inequitable. Therefore, a disproportionate share of the administrative costs for the Conventional Housing Program are being charged to the Section 8 Program.

The SFHA's practice of allocating a disproportionate share of administrative costs to the Section 8 Leased Housing Program was also the subject of a September, 1992 audit report issued by the U.S. Department of Housing and Urban Development. This audit report indicated that the current method of allocating salary and fringe benefit costs based upon the number of units operated is not appropriate.⁶

The Federal auditors also concluded that there were insufficient funds available in the Conventional Housing Program to support all of the administrative positions budgeted during FY 1991-92. In addition, the Federal auditors found that improperly shifting salary and fringe benefit costs to the Section 8 Leased Housing

⁶SFHA has responded to questions raised by the Office of the Inspector General and HUD regarding the adequacy of the Authority's current methodology for cost allocation. The SFHA reports that the Federal auditors have not subsequently responded to the SFHA memo (November 19, 1992) that outlines its cost allocation plan.

Program, enabled the SFHA to fund a greater number of administrative positions (Section 3.4 of this report contains recommendations to reduce the administrative staffing level of the SFHA).

Appropriate Cost Allocation Plan based upon Full-Time Equivalents

Using the number of total full-time equivalent positions (FTEs) that spend all their time in either the Conventional Housing Program, the Section 8 Leased Housing Program or Grants/Other programs, would more accurately reflect the level of effort and total costs that should be allocated to these programs. The number of FTEs dedicated to each of these respective programs reflects the proportionate differences in the time that is required to administer and operate each of these programs.

A greater number of FTEs are required to administer and operate the day-to-day activities of the Conventional Housing program than the Section 8 Leased Housing program. For example, the Conventional Housing program includes FTE positions responsible for maintaining the Conventional Housing units, and for providing contract oversight for special programs, and therefore, a greater percentage of administrative costs should be charged to the Conventional Housing program because there are a greater number of FTEs required to operate the Conventional Housing program. The following table shows the allocation of costs based upon FTEs:

Table 1.3.3
Proposed SFHA Cost Allocation based upon FTEs⁷

<u>Program</u>	<u>FTEs</u>	<u>Percent</u>
Conventional Housing	358	81%
Section 8 Leased Housing	32	7%
Grants/Other	<u>54</u>	<u>12%</u>
Total	444	100%

Although the SFHA is currently allocating 44.5 percent of salary and fringe benefit costs of certain administrative positions to the Section 8 Leased Housing program⁸, it is more appropriate to charge only 7 percent of salary and fringe benefit costs. The following table summarizes the amount of administrative costs that are currently charged to the Section 8 Leased Housing program, with the amount of administrative costs that should be charged based upon FTEs instead of on the number of rental units.

⁷Based upon the number of FTEs that spend 100 percent of their time on the Section 8 Leased Housing program, Conventional Housing and Grants/Other Programs.

⁸The SFHA reports that four positions have 44.5 percent of salaries allocated to the Section 8 program.

Table 1.3.4
Comparison of Current and Recommended Cost Allocation
for those Positions Currently Allocating
Salary and Fringe Benefit Costs⁹

Division	Current Allocation to Section 8	Recommended Allocation to Section 8	Difference
Executive Office	\$258,547	\$45,511	\$213,036
Legal Counsel	67,607	12,187	55,420
Personnel	213,719	38,523	175,196
Admin/Finance	300,442	52,768	247,674
Materials/Mgmt.	116,439	20,988	95,451
MIS	164,196	29,596	134,600
Housing Mgmt.	101,082	17,284	83,798
Eligibility ¹⁰	<u>215,733</u>	<u>42,154</u>	<u>173,579</u>
Total	\$1,437,765	\$259,011	\$1,178,754

As indicated in the preceding table, an estimated \$1,178,754 annually is overcharged to the Section 8 Leased Housing Program because of the current inequitable cost allocation plan. Due to the fact that any unspent administrative costs could be used to fund an additional number of direct housing subsidies, the estimated \$1,178,754 (or approximately \$1.2 million) in administrative costs could be used to provide housing to an estimated 148 additional low-income families, based upon an estimated annual subsidy of \$7,929.¹¹ \$1.2 million should instead be charged to the Conventional Housing program. The re-allocation of these funds should not have an impact upon the availability of funding for Conventional Housing units because 1) the administrative staff for the Conventional Housing program is excessive, and should be reduced by an estimated \$2.1 million (see Section 3.4 of this report), and 2) the Federal auditors found that there would have been insufficient Federal funds available to support all of the administrative positions budgeted without allocating these costs to the Section 8 Leased Housing program. Therefore, there should be sufficient funds available to provide the same level of conventional housing units by reducing these excessive administrative costs.

Therefore, by reducing administrative costs to the Section 8 Leased Housing Program to a more appropriate level, it is estimated that the SFHA could provide direct housing subsidies to an additional 148 families who are currently on the

⁹Source: San Francisco Housing Authority Proration Methods, Fiscal Year 1993-94.

¹⁰Estimated re-allocation for the Eligibility unit is based upon the current size of the waiting list and the number of new applicants enrolled on the waiting list during FY 1992-93, rather than FTEs, as the time spent maintaining the waiting list for these two program more accurately reflects the administrative costs that should be allocated within the Eligibility unit.

¹¹Average monthly Housing Assistance Payment is \$660.74 (or \$7,929 annually), based upon a random sample of 50 HAP contract transfers beginning December, 1992 through March, 1993. Therefore, \$1,178,754/\$7,929 equals approximately 148 low-income families.

Section 8 Program waiting list. This would enable the SFHA to reduce its Section 8 Program waiting list of 1,139 applicants by approximately 13 percent.

CONCLUSION

The current cost allocation plan of the San Francisco Housing Authority overcharges the Section 8 Leased Housing Program for administrative costs. These administrative costs should be more equitably charged to the Conventional Housing Program and Grants programs. The cost allocation plan should be based on dedicated full-time equivalents (FTEs) rather than the number of units rented in the Conventional Housing and Section 8 Leased Housing programs.

Based upon an average annual housing subsidy per family of \$7,929 in FY 1992-93, a \$1,178,754 reduction in administrative charges to the Section 8 Program would enable the SFHA to provide direct housing subsidies to an additional 148 low-income families, currently on the Section 8 waiting list for SFHA rental units.

RECOMMENDATION

It is recommended that the Commission of the SFHA directs its staff to:

- 1.3.1 Develop a cost allocation plan based upon full-time equivalents (FTEs) instead of the number of housing rented units, and use the savings to provide additional rental housing to an estimated 148 low-income families currently on the Section 8 Leased Housing Program waiting list.

SAVINGS/BENEFIT

This recommendation would result in \$1,178,754 in reduced administrative costs charged to the Section 8 Leased Housing Program. These savings could then be used to provide direct housing subsidies to an additional 148 low-income families on the SFHA waiting list, thereby reducing the Section 8 Program waiting list of 1,139 applicants by approximately 13 percent.

SECTION 2.1 MAINTENANCE DIVISION STAFFING

- **ALTHOUGH OVER 30 TYPES OF MANAGEMENT REPORTS ARE AVAILABLE TO EVALUATE THE PRODUCTIVITY OF THE MAINTENANCE DIVISION, IT CANNOT ACCOUNT FOR APPROXIMATELY 94 PERCENT OF THE DIRECT LABOR HOURS EXPENDED BY ITS CUSTODIAL STAFF WHO RECEIVE AN AVERAGE \$48,257 EACH IN SALARIES AND BENEFITS ANNUALLY AND CANNOT ACCOUNT FOR APPROXIMATELY 97 PERCENT OF SUCH HOURS EXPENDED BY ITS LABORER STAFF WHO RECEIVE AN AVERAGE \$55,562 EACH IN SALARIES IN AND BENEFITS ANNUALLY. THESE TWO BUILDING CRAFT CLASSIFICATIONS REPRESENT APPROXIMATELY 60 PERCENT OR 118 POSITIONS OF THE SFHA'S TOTAL MAINTENANCE STAFF OF 197 POSITIONS. ANNUAL SALARIES AND BENEFITS FOR THE MAINTENANCE DIVISION'S 118 LABORERS AND CUSTODIANS AMOUNT TO \$6.25 MILLION OR 50 PERCENT OF THE MAINTENANCE DIVISION'S TOTAL ANNUAL SALARY COST OF \$12.5 MILLION FOR ITS 197 BUILDING CRAFT POSITIONS.**
- **THE NUMBER OF BUILDING CRAFT PERSONNEL IN THE MAINTENANCE DIVISION HAS INCREASED BY 96 POSITIONS OR 95 PERCENT DURING THE PAST FOUR YEARS. THE SFHA FY 1993-94 OPERATING BUDGET ALSO INCLUDES AN ADDITIONAL 34 TEMPORARY AND PERMANENT BUILDING CRAFT POSITIONS AND ADDITIONAL EXPENDITURES FOR OVERTIME AT A COST OF \$957,000 IN FY 1993-94. THIS ADDITIONAL MAINTENANCE STAFF OF 34 POSITIONS AS WELL AS THE ADDITIONAL OVERTIME IS NOT JUSTIFIED.**
- **BY INCREASING THE LEVEL OF ACCOUNTABILITY OVER ITS BUILDING CRAFTS PERSONNEL AND BY UTILIZING PERFORMANCE STANDARDS, THE MAINTENANCE DIVISION COULD EFFECTIVELY PERFORM ITS FUNCTION WITHOUT ADDITIONAL PERMANENT AND TEMPORARY STAFF AND WITHOUT ADDITIONAL EXPENDITURES FOR OVERTIME, THEREBY REALIZING ONE-TIME SAVINGS OF \$669,000 AND ONGOING SAVINGS OF \$288,000 FOR A TOTAL SAVINGS OF \$957,000 IN FY 1993-94.**

Introduction

The Maintenance Division is responsible for performing routine maintenance and emergency repairs on the San Francisco Housing Authority's (SFHA) 6,757

dwelling units. In FY 1992-93, approximately \$11.3 million¹ was appropriated for Maintenance Division salaries and benefits. In addition, approximately \$4.4 million was appropriated for contractual services and for materials and supplies. Therefore, total FY 1992-93 appropriations for the maintenance of SFHA's dwelling units amounted to approximately \$15.7 million.

The following is a summary of the Maintenance Division budgeted staffing level for building crafts personnel according to craft category in FY 1992-93.

Table 2.1.1
Maintenance Division Crafts Personnel
Budgeted Staffing Level According to Building Craft
Fiscal Year 1992-93²

<u>Craft Category/Classification</u>	<u>Full-time Equivalent Count</u>	<u>Average Annual Salary and Benefit Cost Per Position</u> ³	<u>Total Salary and Benefit Cost For Classification</u>
<i><u>Skilled</u></i>			
Painters	20	\$73,571	\$1,471,420
Carpenters	21	82,272	1,727,712
Electricians	4	79,007	316,028
Plumbers	18	87,651	1,577,718
Steamfitters	4	88,270	353,080
Glaziers	6	67,869	407,214
Tile and Linoleum Layers	<u>6</u>	72,106	<u>432,636</u>
Sub-total Skilled	79		\$6,285,808
<i><u>Unskilled</u></i>			
Laborers	76	55,562	4,222,712
Custodians	<u>42</u>	48,257	<u>2,026,794</u>
Sub-total Unskilled	118		6,249,506
Total Skilled and Unskilled	<u>197</u>		<u>\$12,535,314</u>

Of the 197 total Maintenance Division authorized positions, 193 were filled as of January, 1993 and four positions were vacant.

¹ This represents a total salary and benefit cost of for the Maintenance Division's 197 building craft positions of approximately \$12.5 million less an adjustment for anticipated salary savings in the amount of \$1.2 million or 10 percent of the total salary and benefit cost of such positions.

² Includes apprentice, journey-level and foremen staff. Does not include maintenance superintendents and other maintenance management personnel

³ Fringe benefits are budgeted as 39 percent of direct salaries.

History of Staffing Patterns

Appendix 2.1.1 to this report provides a list of existing conventional housing developments according to the year in which each development was built. In FY 1992-93, the average age of the SFHA's dwelling units was 35 years. In addition, only 700 units, or slightly more than 10 percent of the SFHA's 6,757 dwelling units, have been constructed within the past 20 years.

As these dwelling units age, they require more maintenance. SFHA's desire to increase the level of compliance with Federal housing quality standards has also placed increased demands upon the Maintenance Division.

In order to accommodate this increased maintenance workload, the number of crafts personnel employed by the Maintenance Division has increased by 96 positions or 95 percent during the past four years, from 101 budgeted positions in FY 1988-89 to 197 budgeted positions in FY 1992-93.

In addition, the SFHA has increased its FY 1993-94 Maintenance Division staffing levels by added 34 temporary and permanent building craft positions as well as expenditures for overtime. The SFHA has provided the following justification for its FY 1993-94 increase in staffing and appropriations:

- The need to reduce the existing backlog of outstanding work-orders. As of July, 1993 approximately 8,100 work orders were outstanding, a backlog of approximately two months. To reduce this two-month backlog, the SFHA has added 17 skilled building craft positions on a temporary basis at a cost of \$555,000 and has increased appropriations for overtime by \$114,000 in FY 1993-94.
- The need to provide improved custodial services to public housing residents. To accomplish this, the SFHA has increased its custodial staffing by 17 positions at a cost of 288,000. These individuals report directly to conventional housing property management and augment the SFHA's existing staff of 42 custodians who report to the Maintenance Manager.

Evaluation of the SFHA's Current Building Crafts Staffing Level

Although the previously cited factors of the age of SFHA's dwelling units, and its desire to increase the level of compliance with Federal housing quality standards, have placed an increased demand upon the Maintenance Division, the Budget Analyst has determined that the SFHA's funding of an additional 34 skilled and unskilled building crafts positions and appropriations for additional overtime at a cost of approximately \$957,000 in FY 1993-94 cannot be justified. This is based upon the following:

- There are over 30 management reports to provide accountability over the SFHA's crafts personnel. However, the Budget Analyst has determined that the existing management reporting system is underutilized and does not provide a comprehensive measure of the productivity of its maintenance personnel. Consequently, the Budget Analyst estimates that the SFHA is able to account for only approximately three percent (97 percent unaccounted for)

of the direct labor hours expended by its custodial staff and approximately six percent (94 percent unaccounted for) of the direct labor hours expended by its laborer staff. As indicated in Table 2.1.1, these two classifications represent 118 positions or nearly 60 percent of the Maintenance Division's staff of 197 building crafts positions. Rather than create a new, separate organizational unit of custodians who report to individual SFHA property managers, the SFHA should seek to improve the working relationship between existing property managers and the Maintenance Manager in addition to increasing the level of accountability over the direct labor hours worked by existing custodial staff.

- The computerized management reporting system employed by the Maintenance Division has the ability to assign time standards for the entire range of building maintenance jobs performed by crafts personnel. This system can also determine whether maintenance jobs are completed within such time standards. However, the Maintenance Division is not utilizing this reporting capability. Therefore, the Division is unable to determine whether existing maintenance activities are being performed with a reasonable level of efficiency.
- A September, 1992 U.S. Department of Housing and Urban Development (HUD), Office of the Inspector General audit report indicated that the SFHA did not utilize its building crafts personnel in an efficient and economical manner. The audit report concluded that highly compensated and highly skilled crafts personnel were performing duties which did not require the skills of journey-level building crafts personnel. The Office of the Inspector General recommended that unskilled personnel be utilized in-lieu of skilled draftspersons to perform certain maintenance activities. These recommendations have not been implemented.

Evaluation of SFHA's Ability to Exercise Accountability over Building Crafts Personnel.

One of the most important elements of an effective productivity management system is the ability to tabulate and summarize the amount of time that employees are available to perform work, and to compare such information with the amount of time that employees are actually productive. This information is important for the following reasons:

- It serves as a financial control to prevent employees from over-reporting the amount of time worked and receiving compensation to which they are not entitled; and,
- It assists management in evaluating the extent in which employees are engaged in non-productive activities, such as waiting for work assignments or waiting for needed parts and supplies.

In order to evaluate whether the SFHA is able to render a sufficient degree of accountability over the time spent by its building crafts personnel, the Budget Analyst:

- Estimated the number of hours Maintenance Division building crafts personnel were available to work during a seven-month period from December, 1992 to June, 1993. This estimate was tabulated and summarized according to building craft classification.
- Reviewed SFHA Maintenance Division management reports for the seven-month period of December, 1992 through June, 1993. Based upon these reports, the number of direct labor hours that each building craft was engaged in performing productive activities was tabulated and summarized.
- Compared the number of hours that building crafts personnel were available to perform productive activities with the actual number of productive hours specified in the SFHA management reports.

The results of this analysis are presented as Appendix 2.1.2 of this report, and included the following:

- The Maintenance Division was able to render a reasonable level of accountability over the number of direct labor hours expended by its skilled building crafts personnel. Of the estimated 89,600 hours which personnel were available to work, 74,527 (83 percent) were accounted for through the Maintenance Division's management reporting system. However, as explained below, the SFHA has not been able to determine whether Maintenance Division skilled crafts personnel are performing their assigned tasks efficiently.
- The Maintenance Division was not able to render a reasonable level of accountability over the direct labor hours expended by its unskilled building crafts personnel (laborers and custodians). Of the estimated 47,040 hours that custodians were available to work, only 2,813 hours (six percent) were accounted for through the Maintenance Division's management reporting system, and of the estimated 79,520 hours that laborers were available, only 2,518 hours (three percent) were accounted for.

Monitoring Building Crafts Efficiency

In addition to accounting for the number of direct labor hours expended by its building crafts personnel, the Maintenance Division should develop performance standards to determine whether such personnel are performing their assigned maintenance jobs efficiently. To accomplish this the Maintenance Division should perform the following:

- For each type of maintenance activity performed by skilled and unskilled building crafts personnel, the SFHA should develop time standards which reflect reasonable expectations on the number of direct labor hours that are necessary to complete such maintenance activities⁴.

⁴ The use of time standards is a standard business practice to monitor the efficiency of building craft personnel within both government and private enterprise.

- For each individual building craftsman, compare the number of direct labor hours that maintenance personnel completed assigned tasks with the amount of time that should have been required using reasonable time standards described above.
- When significant variances from standards occur, analyze the reason for such variances and take corrective action where necessary.

Although the existing management reporting system is capable of assigning performance standards to a wide range of building crafts maintenance activities, and in reporting upon variances from such standards, this capability is not being utilized. Therefore, the Maintenance Division is unable to provide a reasonable level of assurance that building maintenance activities are being performed efficiently.

CONCLUSION

The SFHA FY 1993-94 Maintenance Division staffing budget includes an increase of \$957,000 to fund 34 additional temporary and permanent building craft positions and to fund increased expenditures for overtime. Due to the fact that little accountability exists over the productivity of the Maintenance Division personnel, this increase in appropriations cannot be justified. Rather than request additional skilled or unskilled building craft positions, the SFHA should seek to improve the level of accountability of its existing personnel.

RECOMMENDATIONS

It is recommended that the SFHA Commission:

- 2.1.1 Reduce FY 1993-94 appropriations for SFHA Maintenance Division salaries, benefits and overtime expenditures by \$957,000.

It is recommended that the SFHA Executive Director:

- 2.1.2 Improve its management reporting systems to provide greater accountability over the direct labor hours expended by the Maintenance Division's unskilled building crafts personnel.
- 2.1.3 Implement performance standards for the Maintenance Division's skilled building crafts personnel.
- 2.1.4 Improve the working relationship between existing property managers and the Maintenance Manager in addition to increasing the level of accountability over the direct labor hours worked by existing custodial staff.

SAVINGS/BENEFIT

Implementation of the preceding recommendations will result in improved accountability over the SFHA Maintenance Division skilled and unskilled building crafts personnel. In addition, based upon the SFHA's FY 1993-94 appropriations for temporary and permanent building craft salaries and for overtime, implementation of these recommendations will result in one-time savings of \$669,000 and \$288,000 in ongoing annual savings for a total savings in FY 1993-94 of \$957,000.

SECTION 3.1 FINANCIAL REPORTING AND AUDIT FOLLOW-UP

- THE SAN FRANCISCO HOUSING AUTHORITY (SFHA) DOES NOT PREPARE AND SUBMIT AUDITED FINANCIAL STATEMENTS TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) IN A TIMELY MANNER. TO DATE NO AUDITED FINANCIAL STATEMENTS HAVE BEEN ISSUED TO HUD FOR FISCAL YEARS 1990-91 AND 1991-92.
- IN ADDITION, THE SFHA HAS NOT ADEQUATELY MONITORED THE STATUS OF THE IMPLEMENTATION OF PRIOR YEARS' AUDIT REPORT RECOMMENDATIONS. MANAGEMENT REPORTS CONTAINING THE STATUS OF PRIOR AUDIT REPORT RECOMMENDATIONS HAVE NOT BEEN UPDATED SINCE OCTOBER OF 1991.
- AS A RESULT, THE SFHA HAS FAILED TO CORRECT MANAGEMENT AND INTERNAL CONTROL WEAKNESSES IN A TIMELY MANNER. IN FY 1986-87, THE SFHA'S FINANCIAL AUDITORS DETERMINED THAT THE SFHA DID NOT RECONCILE ITS SECTION 8 PROGRAM TENANT FILES WITH ITS SECTION 8 LANDLORD PAYMENT FILES. THE SFHA'S FINANCIAL AUDITORS CONCLUDED THAT UNAUTHORIZED PAYMENTS COULD BE MADE TO A LANDLORD WITHOUT BEING DETECTED. SECTION 1.1 OF THIS REPORT DOCUMENTS THAT THIS INTERNAL CONTROL WEAKNESS HAS STILL NOT BEEN CORRECTED, RESULTING IN AN ESTIMATED \$246,000 OF UNRECOVERED OVERPAYMENTS TO LANDLORDS.
- THE SFHA'S FINANCIAL AUDITORS DETERMINED IN FY 1988-89 THAT THE SFHA WAS NOT RECONCILING ITS CHECKING ACCOUNTS ON A MONTHLY BASIS. THIS INTERNAL CONTROL WEAKNESS HAS STILL NOT BEEN CORRECTED. THE SFHA'S TWO LARGEST CHECKING ACCOUNTS, FROM WHICH MORE THAN \$40 MILLION IN CHECKS ARE ISSUED ANNUALLY, HAVE NOT BEEN RECONCILED SINCE MARCH, 1993.
- IN FY 1989-90, THE SFHA'S FINANCIAL AUDITORS RECOMMENDED THAT ALL PERSONNEL BE ANNUALLY EVALUATED AND THAT A WELL DEvised ACCOUNTING MANUAL AND APPROPRIATE TRAINING PROGRAMS BE ESTABLISHED. ALTHOUGH THE SFHA HAD INDICATED TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT THAT

THESE RECOMMENDATIONS HAD BEEN IMPLEMENTED, THE BUDGET ANALYST DETERMINED THAT NO ACCOUNTING MANUAL CURRENTLY EXISTS AND THAT THE SFHA DID NOT CONDUCT ANY FORMAL PERFORMANCE EVALUATIONS DURING FY 1992-93.

- IN ORDER TO PROVIDE A REASONABLE LEVEL OF ASSURANCE THAT THE SFHA PREPARES RELIABLE FINANCIAL STATEMENTS IN A TIMELY MANNER, THAT THE SFHA HAS PROMPTLY CORRECTED PAST AND CURRENT INTERNAL CONTROL WEAKNESSES CITED BY OUTSIDE AUDITORS, AND THAT THE STATUS OF FINDINGS ARE ACCURATELY REPORTED, THE SFHA COMMISSION SHOULD IMMEDIATELY FILL THE VACANT DIRECTOR OF INTERNAL AUDIT POSITION, A POSITION WHICH HAS REMAINED VACANT SINCE MAY OF 1993 AND SHOULD REQUIRE THAT THIS POSITION PERIODICALLY REPORT TO SFHA COMMISSION ITSELF ON THE STATUS OF CURRENT AND PRIOR AUDIT REPORT RECOMMENDATIONS. PRIOR TO THE DIRECTOR OF AUDIT POSITION BECOMING VACANT, THE INCUMBENT WAS BEING UTILIZED BY THE SFHA EXECUTIVE DIRECTOR TO PERFORM FUNCTIONS UNRELATED TO THE INTERNAL AUDIT RESPONSIBILITIES, DIRECTLY RESULTING IN THE LACK OF TIMELY FINANCIAL REPORTS AND AUDIT FOLLOW-UP, AS REFLECTED ABOVE.

Introduction

The SFHA receives more than \$90 million annually from the Federal Government in the form of grants and subsidies. In accordance with the SFHA's Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), the SFHA is required to administer its housing programs efficiently and effectively and in compliance with program requirements.¹ The SFHA is also required by Generally Accepted Governmental Accounting Standards and by the Office of the Inspector General to provide assurances to maintain an effective system of internal and management controls. Audited financial statements and periodic management and financial audits are an important part of maintaining an effective management and internal control structure. This practice allows an organization to identify and rectify weaknesses in its management and financial control structure including the following:

- To prevent individuals, acting alone, from misappropriating assets for personal gain;

¹Office of the Inspector General Audit Report, San Francisco Housing Authority Low Income Public Housing Program. 92-SF-201-1009

- To ensure that the unauthorized use of SFHA financial resources and assets is promptly detected;
- To provide that transactions of the entity are accurately recorded, classified and summarized, and that the results of the SFHA's operations and financial status are fairly presented; and
- To enable employees to work towards accomplishing the goals of the organization in an economical, efficient and effective manner.

Prior Audits of the SFHA

According to the U.S. Department of Housing and Urban Development (HUD), audited financial statements are required within twelve months of the close of the fiscal year.² In addition, during the past three years, the SFHA has been the subject of the following management and financial audits:

- The U.S. Department of Housing and Urban Development Office of the Inspector General. One management audit report was issued in September, 1992.
- The SFHA's Independent Public Auditors. Two financial audit reports have been issued during the past three years. These audit reports were applicable to FY 1988-89 and FY 1989-90.
- SFHA Internal Audit Division. Three management audit reports were issued in Calendar Year 1991.

These audit reports have contained over 200 separate recommendations to improve the SFHA's financial and management controls. These audits have been initiated pursuant to the previously described Federal requirements. The following is a summary of audit reports that have been conducted.

U.S. Department of Housing and Urban Development, Office of the Inspector General, September 10, 1992

This management audit was conducted as part of a multi-regional external review of troubled Public Housing Agencies. The scope of the Inspector General's review was limited to the SFHA Conventional Housing Program and did not include an evaluation of the SFHA's Leased Housing Program or its Construction and Modernization Program.

This audit report contained 69 recommendations to improve the efficiency, effectiveness and economy of the SFHA, and to improve the SFHA's compliance with applicable laws, regulations and other directives. The recommendations included the following:

²OMB circulars 102 and 110.

- Improving management controls over the operations of the Maintenance Division and improving various reporting systems to ensure that the SFHA's publicly owned dwelling units meet Federal housing quality standards;
- Enhancing accounting controls to provide greater compliance with generally accepted accounting principles and to provide greater accountability;
- Providing for greater consistency and equity in the SFHA's tenant selection and management practices;
- Improving the SFHA's procurement practices; and
- Improving its personnel practices, including the classification, selection and compensation of personnel.

Independent Public Auditor's (IPA) Reports, for the Years Ended September 30, 1989 and September 30, 1990

The SFHA's Annual Contributions Contract with the U.S. Department of Housing and Urban Development requires the SFHA to publish financial statements on an annual basis and to have such statements audited by an independent certified public accountant. The U.S. Department of Housing and Urban Development refers to the audited financial statements and accompanying management letters prepared by housing authority independent certified public accountants as Independent Public Auditor's (IPA) reports.

In addition to expressing an opinion as to whether SFHA's financial statements fairly represent its financial position, the independent public auditor is required to present in a management letter a discussion of any material internal control weaknesses identified during the audit. During the past three years, these IPA reports have identified numerous internal control weaknesses and have presented numerous recommendations to rectify such weaknesses. Such findings have included:

- Inadequate bank reconciliation procedures;
- Lack of competence among accounting staff, and inability to document accounting procedures;
- Improper classification of asset and liability accounts and transactions; and
- Discrepancies in various management and financial reports;

Internal Audit Reports of the SFHA Internal Audit Division

The authorized staffing level of the SFHA includes a Director of Internal Audit. This position is responsible for monitoring and reporting upon the status of audit report findings prepared by independent public auditors and by cognizant agencies such as the U.S. Department of Housing and Urban Development Office of

the Inspector General. This position is also responsible for conducting internal audits. This position has been vacant since May, 1993.

During 1991, the SFHA's Director of Internal Audit conducted internal audits on the following SFHA activities:

- The procurement and disposition of Maintenance Materials, Supplies and Equipment;
- The Purchase Provision and Disposition of Stoves and Refrigerators for Public Housing Residents; and
- In-house Rehabilitation and Construction Projects.

These audit reports contained a total of 50 findings and recommendations to improve the procurement practices of the SFHA, to increase the productivity and level of accountability over in-house rehabilitation and construction projects, and to improve financial controls over appliances.

Evaluation of SFHA's follow-up on prior audits

In order to evaluate whether the SFHA was adequately following up on prior audit recommendations, the Budget Analyst performed the following activities:

- Reviewed the management reporting system of the SFHA to determine whether management received reliable information regarding the status of prior management and financial audit findings and recommendations;
- Reviewed independent public auditor and U.S. Department of Housing and Urban Development Office of the Inspector General audit reports to determine whether problems identified in prior-year audits had actually been rectified by the SFHA;
- Conducted interviews, analyses of various management reports and testing of source documentation to verify that the SFHA's had actually corrected the problems identified.

Based upon these activities, the Budget Analyst determined the following:

- The SFHA has not submitted audited financial statements to HUD in a timely manner.
- The SFHA has not aggressively corrected internal control weaknesses and management deficiencies identified by outside auditors or by its own Internal Audit Department.

- The SFHA has not monitored the status of implementation of prior management and financial audit report recommendations. For instance the most recent report prepared by the SFHA which listed prior audit findings and reported upon the status of implementation of such findings was dated October, 1991. Therefore, the SFHA cannot readily determine whether internal control weaknesses and management deficiencies identified through the auditing process have been rectified.
- The SFHA has not accurately reported the status of prior-year independent public auditor findings to the U.S. Department of Housing and Urban Development. For instance, in response to an FY 1988-89 audit finding that the SFHA's bank reconciliation procedures were inadequate, the SFHA indicated that procedures had been implemented to reconcile checking accounts on a monthly basis. However, as recently as July, 1993, the Budget Analyst identified two checking accounts representing approximately \$40 million in annual expenditures which had not been reconciled since March of 1993.

Timely Completion of Financial Statements

As previously noted, the SFHA is required to submit audited financial statements within 12 months of the close of the fiscal year. However, the Budget Analyst has determined that the SFHA has not adhered to this requirement. The following table provides a summary of financial statements submitted during the past five years.

Table 3.1.1

Analysis of SFHA Timeliness in Submitting Audited Financial Statements

<u>Fiscal Year</u>	<u>Audit Report Due Date</u>	<u>Audit Report Submittal Date</u>	<u>In/Out of Compliance</u>
1986-87	10/1/88	7/28/89	Out of Compliance
1987-88	10/1/89	1/18/90	Out of Compliance
1988-89	10/1/90	10/31/90	Out of Compliance
1989-90	10/1/91	12/13/91	Out of Compliance
1990-91	10/1/92	Pending*	Out of Compliance
1991-92	10/1/93	Pending**	Out of Compliance

* As of July, 1993, the field work for the FY 1990-91 audit was still being conducted.

** An independent public auditor was not selected to perform the FY 1991-92 audit until August, 1993.

As indicated in the preceding table, during the past six years, the SFHA has been out of compliance with the requirement that it submit its audited financial statements in a timely manner.

Lack of periodic monitoring and reporting of audit findings

In order to ensure that audit deficiencies are rectified promptly, the SFHA should have an internal reporting mechanism which summarizes the implementation status of prior audit recommendations. Such a report should be provided to both senior management and the SFHA Commission. The report should contain the following information:

- A brief description of the audit finding;
- The date upon which the audit finding was reported;
- The reporting entity (i.e. internal audit, independent public auditor or cognizant agency); and
- Whether the audit finding was rectified and the recommendations implemented.

The SFHA has not consistently reported upon the status of prior audits conducted. For instance, the date-of-the last SFHA management report pertaining to the status of prior independent public auditor recommendations was November, 1991, nearly two years ago. Also, no summary report has been issued which indicates the status of the September, 1992 Office of the Inspector General management audit. In addition, of the three audit reports issued by the SFHA Internal Audit Department, only one audit report has been the subject of a subsequent status report. As cited in the examples below, this lack of reporting hampers the SFHA's ability to ensure that audit recommendations are implemented in a timely manner.

SFHA's inability to correct audit deficiencies in a timely manner

Based upon a review of various management reports, source documentation and communications from cognizant agencies, the SFHA has been unable to correct audit deficiencies in a timely manner. As a result, serious management deficiencies and internal control weaknesses have been allowed to remain in existence for an inordinate length of time. This is exemplified by the following:

- Of the 38 internal control weaknesses cited in the SFHA's Independent Public Auditor Report for FY 1988-89, 20 audit findings, or more than 50 percent, had been in existence during FY 1987-88. In addition, 10 of these 38 internal control weaknesses, or approximately 25 percent, had been in existence during FY 1986-87.

- The September, 1992 U.S. Department of Housing and Urban Development Office of the Inspector General audit report contained 69 audit recommendations. In response to an inquiry of the Budget Analyst, the U.S. Department of Housing and Urban Development indicates that as of August 31, 1993, only 18 audit findings, or 26 percent, had been corrected. The SFHA however, indicates that this is largely due to the fact that the Department of Housing and Urban Development has not acted upon documentation submitted by the SFHA which demonstrates that such findings have been corrected.
- According to a 1987 audit report, the SFHA did not conduct a reconciliation of housing assistance contract payments with the vendor payroll. As a result, the auditors concluded that unauthorized payments could be made to a landlord without being detected. During the course of this review conducted six years later, this same internal control weakness was identified by Budget Analyst staff. As a result, as identified in Section 1.1 of this management audit report an estimated \$1.5 million in Housing Assistance overpayments were made to landlords since 1990 of which an estimated \$1,250,000 has subsequently been collected.

The SFHA has not accurately reported the status of audit findings to the U.S. Department of Housing and Urban Development.

The SFHA's annual contributions contract with the U.S. Department of Housing and Urban Development, provides a protocol for reporting on the status of internal control findings and recommendations that have been made by independent public auditors. This protocol is part of HUD's annual audit of the SFHA financial statements. This protocol includes the following:

- The U.S. Department of Housing and Urban Development will maintain an inventory of all outstanding audit findings from prior internal audits;
- HUD will require the SFHA to develop and implement corrective action plans to rectify such audit findings and to report on the status of implementation of such corrective action plans;
- HUD will determine whether the audit finding should be closed or should remain open, based upon the severity of the audit finding and the quality of the documentation received from the SFHA.

According to the SFHA's independent public auditor's report for the year ended September 30, 1990, twelve prior year audit findings had remained outstanding from the prior audits. These audit findings were subsequently cleared in a U.S. Department of Housing and Urban Development Department letter dated January 10, 1992. The U.S. Department of Housing and Urban Development cleared the audit findings based upon the representations of the SFHA.

However, the Budget Analyst has determined that significant internal control weaknesses identified in the Independent Public Auditor's (IPA) report for the year ended September 30, 1990 had not been satisfactorily corrected, despite the SFHA's representation to HUD that it had taken corrective action. For example:

- The IPA report for the Fiscal Year ending September 30, 1989 (the audit report) recommended that all personnel be evaluated annually and that a well devised accounting manual and appropriate training programs be established. Although the SFHA had indicated to the U.S. Department of Housing and Urban Development that these recommendations had been implemented, the Budget Analyst determined that no accounting manual currently exists and that the SFHA did not conduct any formal performance evaluations during FY 1992-93 (See Section 4.1.1 of this report).
- The same audit report also recommended that reconciliations for cash accounts be performed on a monthly basis. Although the SFHA reported that this recommendation had been implemented, Budget Analyst staff determined that, as of July, 1993, its two largest bank accounts representing nearly \$40 million in annual expenditures had not been reconciled since March, 1993.
- In addition, the audit report recommended that the SFHA prepare monthly account analysis and post adjusting entries to general ledger accounts prior to the closing of the general ledger. Although the SFHA had indicated that this finding had been rectified, this same audit finding was identified in the September, 1992 U.S. Department of Housing and Urban Development Office of the Inspector General Management Audit Report.

The need for a full-time internal auditor which performs periodic reporting to the SFHA Commission.

Although conducting internal audits and monitoring the status of prior audit recommendations are within the scope of responsibility of the Director of Internal Audit, the SFHA has allowed this position to remain vacant since May of 1993. In addition, prior to that position becoming vacant, the incumbent was being utilized by the Executive Director to perform functions unrelated to Internal Audit including gathering documentation in support of the SFHA's Public Housing Management Assessment Program (PHMAP)³. Consequently, as noted previously, management reports which indicate the status of prior audit findings and recommendations have not been updated since October of 1991. In addition no internal audits were conducted since Calendar Year 1991.

³The SFHA believes that performing tasks such as assisting in the SFHA's PHMAP is an appropriate function for the Director of Internal Audit to perform.

SFHA's inability to promptly correct prior audit findings, to implement audit recommendations and to issue financial statements in a timely manner requires the immediate attention of the SFHA Commission. Therefore, the SFHA Commission should immediately fill the vacant position of Director of Internal Audit and should require that this position report directly to the SFHA Commission on a periodic basis on the status of all current and prior audits.

The Housing Commission should assign the Internal Auditor the responsibility of coordinating the request for proposal process for selection of an Independent Public Auditor and submitting such proposals to the Commission for timely completion of required annual financial statements.

CONCLUSION

The SFHA has not filed financial statements in a timely manner, nor has it promptly rectified internal control weaknesses cited by independent public auditors. In addition, despite the numerous audit findings and recommendations that have been identified in management audit and financial audit reports, the SFHA 1) lacks periodic monitoring and reporting of audit findings and recommendations, 2) has not aggressively corrected certain audit deficiencies cited and 3) has not accurately reported the status of audit findings to HUD.

RECOMMENDATIONS

It is recommended that the SFHA:

- 3.1.1 Immediately fill the vacant position of Director of Internal Audit and require that this position periodically report upon the status of past and current audits to the SFHA Commission.

SAVINGS/BENEFIT

The immediate appointment of a Director of Internal Audit will better enable the SFHA to submit its financial statements in a timely manner and to promptly implement current and prior audit recommendations.

SECTION 3.2 CASH MANAGEMENT AND INVESTMENTS

- **THE EXISTING INVESTMENT AND CASH MANAGEMENT POLICY OF THE SFHA LIMITS INVESTMENT ACTIVITY TO 1) INTEREST BEARING CHECKING AND PASSBOOK SAVINGS ACCOUNTS AND 2) CERTIFICATES OF DEPOSITS. THIS POLICY IS UNNECESSARILY RESTRICTIVE AND RESULTS IN THE SFHA EARNING A LOW RATE OF RETURN ON ITS FUNDS.**
- **AS A RESULT, THE SFHA EARNED ONLY APPROXIMATELY ABOUT 3 PERCENT ON AN AVERAGE DAILY CASH BALANCE OF \$3.6 MILLION DURING FY 1991-92. BY COMPARISON, THE TREASURER OF THE CITY AND COUNTY OF SAN FRANCISCO EARNED APPROXIMATELY 8 PERCENT ON ITS INVESTMENT PORTFOLIO DURING THIS SAME TIME PERIOD.**
- **BY PURSUING ADDITIONAL SAFE AND PRUDENT INVESTMENTS, SUCH AS DEPOSITING SURPLUS FUNDS IN THE TRUST OF THE CITY'S TREASURER, THE SFHA WOULD REALIZE AN ESTIMATED \$180,000 ANNUALLY IN ADDITIONAL INTEREST INCOME.**

Introduction

The San Francisco Housing Authority (SFHA) expends more than \$90 million annually to maintain its dwelling units, to provide subsidies to private landlords and to fund various capital improvement projects. Its operations are funded by rental income on its 6,757 dwelling units and from various federal grants and subsidies.

In order to meet its daily cash flow requirements and to provide for operating contingencies, the SFHA has maintained an operating reserve of \$9 million, or approximately ten percent of its total annual expenditures. Much of this operating reserve is held in the form of cash and liquid investments.

Current Investment Policy and Investment Activity of the Authority.

According to the SFHA policy and procedures manual, the primary goals of the SFHA cash management and investment policy are to:

- Comply with the U.S. Department of Housing and Urban Development (HUD) regulations;
- Ensure availability of funds to meet operational requirements; and

- Generate maximum revenues on funds invested.

The SFHA's investment policy further indicates that to obtain these objectives the preferred forms of investment include:

- Savings and demand deposits or interest bearing checking accounts; and
- Certificates of Deposit.

Housing Authority Investment Practices During FY 1991-92

The following table illustrates the SFHA's cash position and investment activity during Fiscal Year 1991-92.

Table 3.2.1
San Francisco Housing Authority (SFHA)
Cash Position and Investment Activity
Fiscal Year 1991-92

<u>Item</u>	<u>Average Daily Balance</u>
<u>Cash in Bank</u>	
Compensating Balance (non-interest bearing account) ¹	\$2,952,828
Held in interest bearing checking accounts	<u>1,446,990</u>
Sub-Total Cash in Bank	\$4,399,818
<u>Investments</u>	
Treasury Certificates of Deposit	<u>2,183,333</u>
Total Cash and Investments	\$6,583,151
Less: non-interest bearing account	<u>2,952,828</u>
Net interest-earning cash and investments	<u><u>\$3,630,323</u></u>

As indicated in the preceding table, the SFHA had, on average approximately \$6.6 million in cash and investments during FY 1991-92. Of this amount, approximately \$3.0 million was held in a non-interest bearing account, while the remaining \$3.6 million was held in interest bearing checking accounts and in Treasury Certificates of Deposit.

¹A compensating balance are funds that remain in a non-interest bearing account. The bank retains the interest earned on these funds as compensation for banking services provided. These services include checking account reconciliation, lockbox maintenance and armored car service. The SFHA competitively bids these services every two years.

Evaluation of Current Investment policy:

The SFHA policy of limiting the investment of its funds to Treasury Certificates of Deposit and to interest bearing checking accounts, is unnecessarily restrictive. According to the HUD Handbook 7475.1, the SFHA may also invest in the following safe and prudent investments:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies;
- Money-Market Deposit Accounts;
- Municipal Depository Funds;
- Super Now Accounts;
- Repurchase Agreements; and,
- Sweep Accounts.

Restricting its investment activity to just two investment vehicles prevents the SFHA from realizing additional interest income.

In order to evaluate the extent of additional interest income that could be realized, the Budget Analyst compared the rate of return that the SFHA realized on its investment portfolio during FY 1991-92 with the City and County of San Francisco Treasurer's rate of return. The City Treasurer's investments were deemed suitable as a basis for comparison for the following reasons:

- As outlined in the list above, HUD guidelines permit investments in municipal depository funds; such as the City and County of San Francisco co-mingled pool of investments;
- The City has an adequately diversified safe and prudent portfolio; and,
- The City's investment policy is generally consistent with U.S. Department of Housing and Urban Development guidelines.²

The results of this comparative analysis are summarized below:

- The SFHA's average rate of return on its investments amounted to approximately three percent during Fiscal Year 1991-92. By comparison, the City's Treasurer realized an average rate of return on its investments of approximately eight percent during this same time period;
- The SFHA earned approximately \$108,000 on its investments during FY 1991-92. Assuming that the SFHA cash and investment position during future years is consistent with that of FY 1991-92, the SFHA could earn approximately \$288,000 annually, or an additional \$180,000 per year, by placing its surplus funds in alternative safe and prudent

²City's investments are consistent with California Government Section 53646 et. seq.

investments under the trust of the City's Treasurer, rather than investing these funds independently.

CONCLUSION

The SFHA's investment policy limits investment activity to interest bearing checking accounts and to treasury certificates of deposit. This policy is unnecessarily restrictive and does not enable the SFHA to realize an adequate rate of return on its investments. U. S. Department of Housing and Urban Development guidelines allow the SFHA to use a variety of investment vehicles, including placing these funds in a municipal depository fund. By placing surplus funds in the trust of the Treasurer of the City and County of San Francisco, the SFHA would realize additional interest income of an estimated \$180,000 annually.

RECOMMENDATION

It is recommended that the SFHA:

- 3.2.1 Place its surplus funds into the trust of the Treasurer of the City and County of San Francisco.

SAVINGS/BENEFIT

Implementation of this recommendation would result in an estimated \$180,000 per year in additional interest income.

SECTION 3.3 USE OF SAN FRANCISCO HOUSING AUTHORITY MOTOR VEHICLES

- **THE SAN FRANCISCO HOUSING AUTHORITY (SFHA) LACKS AN EFFECTIVE MEANS OF PREVENTING THE UNAUTHORIZED USE OF ITS OFFICIAL VEHICLES. SEVERAL RANDOM AFTER HOUR CHECKS AT DESIGNATED SFHA PARKING FACILITIES DETERMINED THAT AS MANY AS SEVEN AUTOMOBILES, OR APPROXIMATELY 19 PERCENT OF ITS FLEET OF 37 AUTOMOBILES, COULD NOT BE FOUND IN THEIR DESIGNATED LOCATIONS DURING NON-WORKING HOURS.**
- **THE SFHA ALLOWS THE UNRESTRICTED USE OF ITS OFFICIAL VEHICLES BY 19 OF ITS EMPLOYEES, INCLUDING ALLOWING 13 EMPLOYEES TO DRIVE THEIR VEHICLES OUTSIDE OF SAN FRANCISCO FOR PERSONAL USE. THIS PRACTICE IS ESTIMATED TO COST APPROXIMATELY \$30,000 ANNUALLY.**
- **AS A DIRECT RESULT OF DRIVING SFHA VEHICLES FOR PERSONAL USE, THE OPERATING AND MAINTENANCE COSTS FOR SFHA VEHICLES ARE EXCESSIVE, AND THE SFHA FACES AN UNNECESSARILY HIGH RISK OF GENERAL LIABILITY CLAIMS. FOR EXAMPLE:**
 - **ONE FOUR WHEEL DRIVE VEHICLE WAS DRIVEN OVER 26,000 MILES IN A 12 MONTH PERIOD. AN ESTIMATED 90 PERCENT OR 23,400 OF THESE MILES WERE FOR PERSONAL USE;**
 - **IN ADDITION, A 3/4 TON PICKUP TRUCK IS USED TO COMMUTE DAILY TO VALLEJO IN SOLANO COUNTY, A 1/2 TON PICKUP IS USED TO COMMUTE DAILY TO ANTIOCH IN CONTRA COSTA COUNTY AND A 1/2 TON PICKUP TRUCK IS USED TO COMMUTE DAILY TO MOSS BEACH IN SAN MATEO COUNTY;**
 - **THE SFHA ERRONEOUSLY PAID THE CITY FOR A REPORTED 200 GALLON FILL UP ON A SFHA PICKUP TRUCK DESPITE THE FACT THAT THE TRUCK COULD NOT ACCEPT A CAPACITY OF 200 GALLONS, AND DESPITE THE FACT THAT THE TRUCK HAD BEEN PREVIOUSLY REMOVED FROM THE SFHA INVENTORY AND SOLD FOR SALVAGE.**
 - **ONE SFHA EMPLOYEE WAS FOUND TO HAVE BEEN INVOLVED IN BOTH AN ACCIDENT AND AN ARREST FOR DRIVING UNDER THE**

INFLUENCE (DUI) WHILE OPERATING A SFHA VEHICLE DURING NON-WORKING HOURS. IN NEITHER INSTANCE DID THE SFHA SEEK TO VERIFY THAT THE EMPLOYEE WAS ON OFFICIAL BUSINESS NOR TAKE APPROPRIATE DISCIPLINARY ACTION AGAINST THE SUBJECT EMPLOYEE. BECAUSE THE EMPLOYEE'S LICENSE HAD BEEN SUSPENDED, THE EMPLOYEE RELIED ON OTHER EMPLOYEES, INCLUDING HIS SUPERVISOR, TO CHAUFFEUR HIM TO HIS ASSIGNED TASKS. THIS RESULTED IN AN ESTIMATED COST OF UP TO \$20,000 ANNUALLY IN STAFF TIME DIVERTED FROM OTHER ASSIGNED DUTIES TO PROVIDE THIS PERSONAL TRANSPORTATION SERVICE.

- MANAGEMENT CONTROLS ON VEHICLE USAGE ARE INADEQUATE, AND THE PRACTICE OF ALLOWING EMPLOYEES TO USE OFFICIAL SFHA VEHICLES FOR PERSONAL USE SHOULD BE DISCONTINUED IMMEDIATELY.

Introduction

The San Francisco Housing Authority (SFHA) currently owns and maintains a vehicle fleet inventory of 146 vehicles. The following table provides a summary of vehicle according to vehicle type and mode of assignment.

Table 3.3.1

**SFHA Vehicle Fleet
Distribution by Type and Assignment¹**

<u>Type</u>	<u>Assigned to Individuals</u>	<u>Assign to Motor Pools</u>	<u>Total Vehicles</u>
Automobiles ²	25	12	37
Dump Trucks	13	1	14
Pick-Up Trucks	61	1	62
Passenger and Cargo Vans	<u>27</u>	<u>6</u>	<u>33</u>
Totals	126	20	146

¹Source: SFHA Fleet Inventory, Master List as of 6/10/93.

² Includes two 4-wheel drive vehicles, Jeep Cherokee Utility Wagon and Ford Explorer XLT.

Individual department and division heads are responsible for assigning SFHA vehicles. The Materials Management Unit is responsible for monitoring the usage of such vehicles. As indicated in the preceding table, 126, or 86 percent of the SFHA's 146 vehicles are assigned to individuals,³ while the remaining 20 are assigned to motor pools.

Existing Controls Over Vehicle Usage

According to the Fleet Vehicles Policies and Procedures Manual (Fleet Manual), the following control procedures exist over the usage of motor vehicles:

- Employees must maintain control over the use of vehicles and may not lend, swap or re-assign their vehicle to other staff, regardless of the duration, without notification to Materials Management;
- Employees must complete monthly sign-out logs, and submit these monthly logs to the Materials Manager for notification of vehicle assignments;
- Employees who violate monthly sign-out log procedures are subject to disciplinary action, including suspension of SFHA driving privileges.

In order to evaluate whether the preceding controls were sufficient to prevent the unauthorized use of SFHA vehicles, the Budget Analyst performed the following activities:

- Reviewed monthly sign-out logs for the six month period of November, 1992 to April, 1993;
- Reviewed vehicle accident reports for the 12 month period of August, 1992 to August, 1993;
- Analyzed vehicle fuel consumption reports for the 12 month period of August, 1992 to August, 1993;
- Conducted random inventory counts of SFHA sedans at various SFHA storage locations during off-hours; and,
- Performed inquiries of various administrative personnel.

Based upon these activities, the Budget Analyst determined that significant weaknesses exist in the management controls over SFHA motor vehicle usage. In addition, existing procedures which are designed to prevent the unauthorized use of SFHA motor vehicles are not always followed. These weaknesses are as follows:

³ Included in this total of 146 vehicles are 16 vehicles assigned to eight employees. However, each of the eight employees has been assigned two of these vehicles.

- As indicated in Table 3.3.1, vehicles assigned to individuals comprise 86 percent of the SFHA's motor vehicle fleet. SFHA procedures require that all vehicle activities be reported to Materials Management on a monthly basis.⁴ However, the Materials Manager does not require that individuals who have been assigned a vehicle to report its usage. The Budget Analyst reviewed monthly sign-out logs filed with Materials Management and found that the use of only 10 vehicles or seven percent of all SFHA vehicles were reported on a regular basis.
- Although vehicle usage statistics are available based on SFHA's monthly fuel consumption reports, these reports are generally unreliable. Based upon a Budget Analyst review of these fuel consumption reports a substantial number of the recorded mileage totals were entered incorrectly. In addition, the mileage on the fuel consumption reports was not consistent with mileage readings as indicated on the vehicle service logs kept by the SFHA Fleet Specialist during similar time periods.
- One fuel consumption report, however, did record a 200 gallon fuel entry for a SFHA one-half ton pickup truck that was not identified in the SFHA fleet inventory. According to the City Purchaser, SFHA paid the City for the 200 gallons of fuel without questioning at any time the unusual large fuel acquisition for a vehicle that had been previously sold for salvage.⁵
- Based upon five random inspections performed at SFHA vehicle storage locations during August and September 1993, as many as seven or approximately 19 percent of the SFHA's 37 automobiles could not be found in their designated locations during non-business hours.⁶
- Although SFHA fleet management policies prohibit the use of official vehicles transferred from one employee to another without proper authorization,⁷ many vehicles assigned to individual drivers were in fact driven by other employees. According to accident reports over the last 12 months for vehicles assigned solely to individual drivers, a total of 15 out of 30 accidents, or 50 percent of these total accidents, involved a driver other than the assigned driver.

⁴ "Submission of completed sign-out logs to Materials Management on a monthly basis and chronicling all departmental fleet activity...." (SFHA Fleet Vehicle Policies and Procedures Manual, page 13.)

⁵ SFHA reported the subject vehicle as immobile in December, 1990, and removed from the vehicle inventory during 1991.

⁶ Based on information provided by the SFHA Fleet Specialist who listed the official storage locations for each SFHA vehicle. Subsequently, the Materials Manager has advised that vehicles would not be found at their designated locations because (a) the vehicles have been assigned to employees not officially listed in the SFHA vehicle tracking system for controlling vehicle assignments, (b) the vehicles were located at projects not designated for vehicle storage and (c) the vehicles were used to transport supplies for an SFHA employee picnic. However, no written confirmations of these other assignments and non-business hour vehicle usages were provided.

⁷ The procedure governing proper authorization requires employees who use vehicles assigned to another individual to record its use on vehicle sign-out logs that must be submitted monthly to SFHA Materials Management. The Budget Analyst found no sign-out logs for vehicles assigned to individuals in the files kept by SFHA Materials Management.

As a result, the SFHA is unable to determine whether the size of its fleet is justified, because vehicle usage is not monitored. In addition, because vehicle usage and off-hour storage is not adequately monitored, the SFHA is unable to determine the extent to which vehicles are being used for personal business.

The SFHA allows 19 Management and Supervisory Personnel the Unrestricted Use of Official Vehicles

Although the SFHA is not directly governed by the City's Administrative Code, the Budget Analyst used the City's restrictions on the use of official City vehicles as a basis of evaluating whether the SFHA's vehicle use policies were prudent and sufficient.⁸ City and County of San Francisco employees are authorized to use City vehicles to drive to and from work under the following circumstances:

- No suitable overnight location exists in close proximity to the City department which is responsible for operating the vehicle;
- Home storage is necessitated by operational considerations, such as the likelihood that an employee will be required to return to work prior to the next business day.

Currently 19 management and supervisory personnel⁹ have been authorized use of SFHA vehicles to commute from their home to work and return on a daily basis without proper justification. For example, restrictions comparable to those specified in the City's Administrative Code have not been adopted, as employees that do not have job responsibilities that necessitate returning to work during non-business hours on a regular basis are granted unlimited commuting privileges. The individuals who have been granted this privilege include the following:

- The Executive Director;
- The Deputy Executive Director for Management Operations;
- The Director for Resident Services;
- The Director for Planning and Design;
- The Director for Rehabilitation and Construction;
- The Director of Maintenance;
- The Controller;
- The Construction Superintendent for Contracts;
- Various management and supervisory personnel within the Maintenance Division (11 employees).

⁸ The San Francisco Redevelopment Agency (SFRA), which is not a City agency, follows the City's Administrative Code regarding usage of City owned vehicles, as a matter of policy.

⁹ Of this total of 19 SFHA employees, two employees have decided not to use their assigned vehicles for personal use. Of the remaining 17 employees, four employees live inside the City and County of San Francisco and 13 employees live outside the City and County of San Francisco.

Based upon inquiries of the Materials Manager, the authorization to use SFHA vehicles for daily commuting and other purposes was granted as a means of compensating such employees that had to answer business calls during non-working hours for a limited period of three weeks or six percent of the total year. To be on call after hours for this short period of time does not justify unlimited personal usage of a SFHA vehicle.

According to a recent opinion issued by the City Attorney's Office, the Administrative Code also prohibits the home storage of City-owned vehicles outside the boundaries of the City and County of San Francisco. However, the Budget Analyst has determined that 13 of the 19 employees who have been authorized the unrestricted use of SFHA official vehicles live outside the boundaries of the City limits, including:

- Vallejo;
- Suisun;
- Livermore;
- Moss Beach;
- Napa; and,
- Antioch.

As a result, SFHA vehicles are being driven an excessive number of miles, most of which are for personal use as determined by a comparison of actual fuel consumption prior to and after January 1, 1993, the date the SFHA initiated the authorization of vehicles for personal use under a revised Duty Officer Program.¹⁰ The Budget Analyst identified one four-wheel drive vehicle which accumulated over 26,000 miles in a 12 month period, 90 percent of these miles (approximately 23,400 miles) were determined to be mileage specifically for commuting between Livermore and San Francisco. In other instances, the Budget Analyst determined that a 3/4 ton pickup truck is used to commute daily to Vallejo in Solano County, a 1/2 ton pickup is used to commute daily to Antioch in Contra Costa County and a 1/2 ton pickup truck is used to commute daily to Moss Beach in San Mateo County. In total, the Budget Analyst estimates that approximately \$30,000 annually is expended on the out-of-county personal use of 13 SFHA vehicles.

Excessive Costs and Potential Exposure to Liability

Excessive mileage on SFHA vehicles has occurred as a result of the unrestricted use and lack of sufficient monitoring over vehicle usage. Not only have excessive fuel and maintenance costs been incurred but also the SFHA has an unnecessarily high exposure to liability. As an example, the Budget Analyst identified one instance in which an SFHA employee was involved in a vehicle accident during non-business hours. Although this vehicle sustained approximately \$2,600 in damage, no report

¹⁰ Unlimited personal use of SFHA vehicles was granted to 15 management personnel required to perform limited off-hour duties (3 weeks annually) starting January, 1993. The Budget Analyst reviewed fuel consumption and vehicle maintenance reports for several months before and after this date to determine that such vehicles were driven an excessive number of miles after, but not before, that date.

was made to any law enforcement agency or to the California Department of Motor Vehicles. In addition, although the accident occurred on a Saturday evening, the SFHA could not verify that the employee was on official SFHA business at the time of the accident.

In another incident, police records indicate that the same SFHA employee was subsequently arrested and booked for driving under the influence (DUI) while driving a SFHA automobile during non-working hours. Subsequently the SFHA employee was convicted for reckless driving and his license suspended. Although the employee's job description requires the possession of a valid California driver's license and SFHA rules on discipline identify the employee's action as misconduct, there are no references to this matter in the employee's personnel file. Further, the Department of Motor Vehicles (DMV) advises that the subject employee can currently reapply for a drivers license. However, the subject employee continues to rely on other employees, including his supervisors, to chauffeur him to his assigned tasks. This practice is estimated to cost between \$15,000 and \$20,000 annually in staff time diverted from other assigned duties to provide this personal transportation service.

Although both of these incidents occurred during non-working hours, the SFHA did not seek to corroborate the employee's testimony that the vehicle was being operated on official business or take disciplinary action under SFHA rules for misconduct.

CONCLUSION

SFHA's management controls over the use of official SFHA vehicles are inadequate. Existing weaknesses include:

- The lack of monitoring of the extent and nature of vehicle usage;
- The absence of controls designed to prevent or detect the unauthorized use of SFHA vehicles; and,
- The lack of accountability over vehicle assignments.

In addition, the SFHA has granted the unrestricted use of SFHA vehicles to 19 management and supervisory employees (13 of which live outside the City and County of San Francisco) without proper justification. The lack of restrictions on official SFHA vehicle usage and the absence of management controls over vehicles has resulted in excessive vehicle fuel and maintenance costs, and has resulted in an unnecessarily high level of exposure to liability.

RECOMMENDATIONS

It is recommended that the SFHA:

3.3.1 Improve the controls of vehicle usage by:

- Reviewing mileage reporting and monthly fuel consumption records and preparing an annual vehicle needs assessment report based on these reviews;
- Monitoring the off-hour storage of vehicles;
- Evaluating vehicle assignments;
- Monitoring accidents.

3.3.2 Discontinue immediately the practice of allowing employees to use official SFHA vehicles for personal use and adopt the provisions of the San Francisco Administrative Code which restrict the use of City vehicles to municipal business, limits the use of such vehicles by employees during non-business hours and restricts the home storage of vehicles to the City and County of San Francisco.

SAVINGS/BENEFITS

The implementation of these recommendations should result in reduced vehicle usage costs and should reduce the potential for automobile liability costs, by eliminating the unauthorized personal use of SFHA vehicles during non-business hours. The reduction of vehicle usage costs would save up to \$50,000 annually including up to \$20,000 for the chauffeuring of a staff person who is required to, but does not have, a valid driver's license and \$30,000 for the elimination of the unrestricted use of official SFHA vehicles for personal use outside the City and County of San Francisco.

SECTION 3.4 SFHA ADMINISTRATIVE STAFFING

- SINCE FY 1990-91, THE SAN FRANCISCO HOUSING AUTHORITY'S (SFHA) ADMINISTRATIVE STAFFING HAS INCREASED BY 31 POSITIONS, FROM 234 POSITIONS IN FY 1990-91 TO 265 POSITIONS IN FY 1993-94.
- THIS 13 PERCENT INCREASE IN THE ADMINISTRATIVE STAFFING IS EXCESSIVE, PARTICULARLY SINCE OVER THE PAST THREE YEARS, THE SFHA HAS INCREASED THE NUMBER OF AVAILABLE CONVENTIONAL HOUSING UNITS BY ONLY 3.1 PERCENT. FURTHER, A SEPTEMBER, 1992 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AUDIT REPORT DISCLOSED THAT THE SFHA'S ADMINISTRATIVE STAFFING LEVEL EXCEEDED HUD GUIDELINES BY APPROXIMATELY 70 PERCENT.
- BY ADOPTING A REORGANIZATION PLAN THAT:
 - REDUCES THE LEVEL OF FRAGMENTATION IN DUTIES AND RESPONSIBILITIES AMONG DIVISIONS AND INDIVIDUALS;
 - INCREASES SUPERVISORY SPAN OF CONTROL AND REDUCES NON-ESSENTIAL MANAGEMENT LAYERS; AND
 - SEEKS TO OBTAIN GREATER PRODUCTIVITY FROM ITS EMPLOYEES,

IT IS ESTIMATED THAT THE HOUSING AUTHORITY COULD REDUCE ITS ADMINISTRATIVE STAFFING LEVEL BY 31 POSITIONS FROM 265 TO 234 POSITIONS, OR BACK TO THE SAME LEVEL AUTHORIZED IN FY 1990-91. THE REDUCTION OF 31 ADMINISTRATIVE STAFF POSITIONS AT AN AVERAGE SALARY AND BENEFIT COST OF \$48,000 PER POSITION, WOULD ENABLE THE SFHA TO TRANSFER APPROXIMATELY \$1.5 MILLION IN ADMINISTRATIVE COSTS TO ITS OPERATING RESERVE OR TO OTHER NEEDED ACTIVITIES, SUCH AS INCREASING ENROLLMENT IN THE SFHA'S SECTION 8 LEASED HOUSING PROGRAM OR FOR MODERNIZATION OF EXISTING PUBLIC HOUSING DEVELOPMENTS.

- **THE USE OF AN OUTSIDE CONSULTANT TO PROVIDE LABOR RELATIONS SERVICES TO THE SFHA AT A COST OF \$70,000 ANNUALLY IS ALSO AN UNNECESSARY EXPENDITURE, SINCE SUCH DUTIES ARE ALREADY INCLUDED WITHIN THE SCOPE OF RESPONSIBILITY OF THREE OF THE SEVEN POSITIONS WITHIN THE SFHA'S PERSONNEL DEPARTMENT.**

Introduction

The Organization of the San Francisco Housing Authority (SFHA) consists of the following major organizational units:

- Executive Director and General Counsel. The Executive Director is responsible for the following activities:
 - Providing overall management of the SFHA;
 - Developing and executing SFHA policy; and,
 - Providing staff support to the SFHA Board of Commissioners.

The following organizational units are included within the scope of the Office of the Executive Director:

- Affirmative Action;
- Internal Auditing;
- Public Affairs;
- Labor Relations;
- Economic Development; and,
- Resident Services.

A separate organizational unit, the General Counsel, provides litigation, contract review and risk management services and reports directly to the Executive Director.

- Finance and Administration. This Division performs all financial management activities of the SFHA including:
 - Procurement;
 - Materials management;
 - Payroll processing;
 - Budgeting and cost allocation; and,
 - Accounting and financial reporting.

In addition to these financial management activities, the management information systems and personnel services functions are included within the scope of operations of the Finance and Administration Division.

- Management Operations. This Division is responsible for administering the SFHA's Section 8 Leased Housing program. Management Operations is also responsible for performing maintenance and repairs on the SFHA's 6,757 conventional housing dwelling units as well as for determining the eligibility of prospective leased and conventional housing program participants. In addition, the Management Operations Division performs rent collection and other property management activities.
- Planning and Design and Rehabilitation and Construction. These two divisions are responsible for managing the SFHA's capital improvement program.

The Planning and Design Division responsibilities include the following:

- Preparing architectural drawings and bid specifications for construction projects which are to be performed by private contractors; and,
- Forecasting capital projects funding requirements, funding availability, and prioritizing SFHA rehabilitation and renovation projects.

The Rehabilitation and Construction Division is responsible for administering construction projects once a contractor has been selected and has begun work on a particular construction project. The Rehabilitation and Construction Division also manages construction and modernization projects performed in-house by SFHA's building craft employees.

Included as Appendix 3.4.1 to this report is the SFHA's current organizational chart.

SFHA Administration Staffing and Funding Requirements: for FY 1990-91 through 1993-94

The following table provides a summary, by division, of the growth in SFHA administrative staffing during the past three years¹.

¹The U.S. Department of Housing and Urban Development (HUD) Guidelines define administrative staff as follows:

- All supervisory and line personnel within the Office of the Executive Director, General Counsel and Finance and Administration;
- All supervisory and line personnel within the Section 8 leased housing, housing management, eligibility and rent collection functions within the Management Operations Division; and
- Personnel within the Planning and Design and Rehabilitation and Construction Divisions, except building craft personnel, as well as all management and supervisory personnel within the Maintenance Section of the Management Operations Division.

Table 3.4.1
Analysis of SFHA Administrative Staffing
FY 1990-91 through 1993-94

<u>Division</u>	<u>Full-Time Employees FY 1990-91</u>	<u>Full-Time Employees FY 1993-94</u>	<u>Percent Increase</u>
Executive Office/Legal Counsel	28	38	35.71%
Finance and Administration	42	51	21.43%
Management Operations	141	142	0.71%
Planning and Design/Rehab & Construction	<u>23</u>	<u>34</u>	47.83%
Total	234	265	13.25%

As indicated in the preceding table, the overall administrative staffing level of the SFHA has increased by approximately 13 percent during the past three years.

In addition to a significant increase in staff, the operating subsidy necessary to support the SFHA's Conventional Housing Program has grown significantly during the past three years. The following table provides a comparative analysis of the SFHA requested operating subsidy from HUD in FY 1990-91 and 1993-94.

Table 3.4.2
SFHA Requested HUD
Operating Subsidy for Conventional Housing

	<u>Fiscal Year 1990-91</u>	<u>Fiscal Year 1993-94</u>	<u>Percent Increase (Decrease)</u>
Operating Receipts	\$16,086,890	\$15,724,130	(2.26)%
Other Sources of Funds (Includes use of reserves.)	<u>1,033,931</u>	<u>934,866</u>	(9.60)%
Total Sources of Funds	17,120,821	16,658,996	(2.70)%
Less: Operating Expenditures	<u>\$32,557,010</u>	<u>\$39,114,220</u>	20.10%
Equals:			
Required HUD Subsidy	\$14,196,662	\$22,455,224	58.17%

As indicated in the preceding table the required Federal HUD operating subsidy for the SFHA has increased by over 52 percent during the past three years. The SFHA's growth in operating subsidy has been driven by increased spending allowances provided by the Federal government and the SFHA's slight decline in revenues.

Evaluation of the SFHA's Growth in Staff and Funding Requirements

A variety of factors have placed increased demands upon the SFHA's administration, including the following:

- Increase salary and benefit costs of existing employees and declining revenues. As indicated in the preceding table, the SFHA's operating revenues have declined by approximately two percent during the past three years. This reduction has occurred in spite of an increase in public housing occupancy levels from approximately 90 percent in FY 1990-91 to more than 97 percent in FY 1992-93. Operating revenues have decreased in spite of increased public housing occupancy levels because the SFHA, which bases rental charges on tenants ability to pay, has been required to reduce its rental charges to those tenants whose primary source of income is AFDC as a result of recent reductions in AFDC benefit amounts. Therefore, it has been necessary to fund the entire amount of the SFHA's increased salary and benefit costs from federal subsidies.
- Increase in craft maintenance staffing and the need for increased supervisory personnel to support an expanded maintenance operation. As indicated in Section 2.1 of this report, the budgeted staffing level of the Maintenance Division increased by 96 positions, from 101 budgeted positions in FY 1988-89 to 197 budgeted positions in FY 1992-93, an increase of approximately 95 percent. As the number of maintenance personnel have increased, so have the number of supervisory and administrative support personnel.
- Re-organization of the Capital Projects Management Function. In FY 1991-92 the SFHA created two separate divisions to provide capital projects management functions. The Planning and Design Division assumed responsibility for planning the allocation of future capital projects funding, for developing contractor bid specifications and for coordinating the timing of future construction and rehabilitation projects. The Rehabilitation and Construction Division assumed responsibility for project management of construction and rehabilitation projects that had been initiated. Prior to FY 1991-92 these activities were performed by a single division. As part of this re-organization ten new administrative positions were created.
- Heightened concerns about the safety of conventional housing residents. There have been increased concerns about the safety and security of SFHA conventional housing residents, particularly in the SFHA's senior developments. As a result, the SFHA's FY 1993-94 conventional housing operating budget includes \$641,000 to provide extended security guard services at each of the SFHA's senior developments.

Although the above-listed factors have placed an increased demand on SFHA administrative staff, the SFHA's current level of administrative staffing is excessive. Consequently, the SFHA's staffing expenditures for conventional housing operations has been greater than necessary. The following points support this assessment:

- When compared to other large public housing authorities, the level of administrative staffing of the SFHA is inordinately high. For instance, a September, 1992 management audit report issued by the Department of Housing and Urban Development, Office of the Inspector General, indicated that SFHA's administrative staff was 70 percent greater than HUD guidelines for large, troubled public housing authorities.
- The number of Conventional Housing Dwelling units maintained by the SFHA has not increased appreciably during the past three years. In FY 1993-94 the number of conventional housing units maintained by the SFHA totaled 6,757, a 3.1 percent increase over the 6,554 conventional housing units maintained in FY 1990-91. The 203 unit increase is attributed to the recent opening of the Robert Pitts Apartments, a reconstruction of the former Yerba Buena Plaza West project.

Evaluation of the Current Organizational Structure

Based upon a detailed review of the SFHA organizational structure, employee job descriptions and numerous interviews with SFHA personnel, the Budget Analyst has determined that the organization of the SFHA could be improved to achieve greater efficiency and to promote greater accountability.

Non-essential management layers should be eliminated and supervisory spans of control should be increased.

Based upon a review of the organizational charts, job descriptions and interviews with SFHA personnel, the Budget Analyst has concluded that the SFHA should reduce the number of management layers within its organization, and should assign greater responsibility to staff who have been classified as management or supervisory staff. For instance, several positions were identified, which although designated by the SFHA as management or supervisory, had no management or supervisory responsibilities. These positions include the following:

- The Director of Public Affairs;
- The Affirmative Action Officer;
- The Power Plant Manager; and
- The Elevator Operations Manager.

In addition, several instances were cited in which, due to non-essential intermediate layers of management, the level of supervisory span of control for many SFHA administrative employees is unreasonably low. The following table illustrates this condition.

Table 3.4.3

**Supervisory Span of Control and
Intermediate Management Layers
For Selected SFHA Functions**

Position Designation	Number of Individuals Reporting to Position²	Number of Intermediate Management Layers³
Materials Manager	2	1
Manager, Rehabilitation and Construction	3	1
Director of Planning and Design	3	1
Director of Maintenance	2	2
Director of Resident Services	3	2

The data in this table indicate that the SFHA could accomplish a significant reduction in its middle management ranks by increasing supervisory span of control and by eliminating non-essential intermediate management layers.

The SFHA should eliminate the fragmentation of duties and responsibilities which exists among organizational units and among individuals.

In order to provide accountability and reduce the potential for duplication of effort, the SFHA should evaluate its existing allocation of duties and responsibilities among organizational units and among individual positions. Based upon a review of employee job descriptions, and an analysis of the SFHA's organizational charts, the Budget Analyst determined that considerable fragmentation of duties and responsibilities exists within the SFHA. This fragmentation results in duplication of effort and a diffusion of accountability. The following examples illustrate this problem:

- In FY 1991-92, the SFHA increased the staffing of its Management Operations Division by eight full-time maintenance superintendents at a salary and benefit cost of approximately \$480,000 per year. These individuals are responsible for assisting the Director of Maintenance in exercising accountability over building crafts personnel. The addition of these maintenance supervisors is of questionable value however, since the Management Operations Division already has positions that have the responsibility for supervising maintenance activities, within their scope of responsibility, including the following:

²Includes those positions with direct hierarchical reporting responsibility. This analysis does not include personnel who report to these individuals in a staff capacity.

³Indicates the number of levels between the unit manager and line staff.

- In FY 1991-92, the SFHA already had a total of 15 building crafts foremen to exercise direct supervision over the Maintenance Division's staff of 160 building crafts positions; and,
- The FY 1991-92 authorized staffing level of the Management Operations Division also included 21 property managers whose duties and responsibilities included "establishing schedules and methods for building maintenance" and for "supervising facility operations,"
- The Executive Director has retained a labor relations specialist on a contract basis at a cost of approximately \$70,000 annually. However, the Budget Analyst determined that this expenditure was unnecessary due to the fact that labor relations are already included within the scope of responsibility of the Personnel Department. In fact three of the seven positions within Personnel perform one or more of the following activities:
 - Evaluating classification and compensation systems; and,
 - Providing advice and direction in all phases of labor relations.

Based upon a review of administrative and craft positions that the SFHA has added to its organization since FY 1990-91, the Budget Analyst staff has determined that numerous positions were added without sufficient justification. These include:

- Five Administrative Clerks at a total annual salary and benefit cost of approximately \$150,000 have been added in FY 1993-94. However, the SFHA is also significantly enhancing its management information systems during this same time period. The implementation of the SFHA's new management information system should actually reduce the SFHA's need for clerical support staff due to the following:
 - The need to perform repetitive and labor intensive clerical functions such as document preparation will be reduced; and,
 - Management reporting will be simplified

Therefore, the SFHA should identify clerical support positions that will no longer be required due to the implementation of the new computer system rather than increase the number size of its clerical support staff.

- One Materials Resource Planner has been added in FY 1993-94. This position reports to the Materials Manager. However, materials resource planning activities are already performed by the SFHA's three full-time buyers.

- The FY 1993-94 budget also includes a request to fund additional temporary and part-time skilled and non-skilled building craft maintenance positions at a cost of approximately \$950,000. However, Section 2.1 of this report discusses the need to improve the level of accountability over the Maintenance Division. Based upon a review of the Maintenance Department's management reports, the Budget Analyst has determined that the Maintenance Division was only able to account for approximately six percent of the time expended by its custodial staff and three percent of its laborers staff in FY 1992-93.

Recommended Reductions in SFHA Administrative Staffing

The preceding analysis indicates that the SFHA could significantly reduce its administrative ranks and promote greater accountability within its organization by:

- Eliminating unnecessary management ranks;
- Increasing supervisory spans of control and removing non-essential intermediate layers of management; and
- Reducing the level of fragmentation and task redundancy that exists among separate organizational units within the SFHA; and evaluating whether tasks are duplicated by more than one employee.

In addition, the SFHA has significantly increased its administrative staffing levels without sufficient justification. Therefore, the SFHA should adopt a reorganization plan which reduces the number of administrative personnel to its FY 1990-91 level. Such a reduction would eliminate 31 full-time administrative positions. Based upon the SFHA's FY 1993-94 average salary and benefit cost of approximately \$48,000 per position, such a reduction would enable the SFHA to save approximately \$1.5 million annually, and \$70,000 would be saved annually from contractual services for labor relations consulting services, for a total savings of approximately \$1.57 million. This \$1.57 million in savings may be added to the SFHA's operating reserve, and may be used for other SFHA activities, such as needed repairs to the public housing developments. The use of these \$1.57 million in savings would be subject to approval by HUD.

CONCLUSION

Since FY 1990-91 the administrative staffing level of the SFHA has grown from 234 positions to 265 positions, an increase of approximately 13 percent. In addition, the operating subsidy required to support the SFHA's conventional housing operations has increased by approximately 58 percent. The number of conventional housing units maintained by the SFHA has increased by only 3.1 percent. The SFHA should reduce its administrative staffing level to that of Fiscal Year 1990-91. Based upon an FY 1993-94 average administrative salary and benefit cost of \$48,000 per position, such a reorganization would enable the SFHA to save approximately \$1.5 million. In addition, the SFHA should also discontinue the practice of relying upon a contract labor relations specialist costing \$70,000

annually due to the fact that labor relations services are already included within the scope of responsibility of the SFHA's Personnel Department. These total savings of approximately \$1.57 million could be added to the SFHA's operating reserve, to be used for other SFHA activities, such as needed improvements to the public housing developments. The use of these \$1.57 million in savings would be subject to approval by HUD.

RECOMMENDATIONS

It is recommended that the Commission of the SFHA:

- 3.4.1 Direct the SFHA Executive Director to reduce the SFHA administrative staffing by 31 positions from 265 authorized positions to 234 authorized positions, and eliminate the service contract that provides labor relations consulting services.
- 3.4.2 Reduce appropriations for administrative salaries and benefits by \$1.5 million, and for related contractual services by \$70,000 annually, for a total annual reduction of approximately \$1.57 million.

It is recommended that the SFHA Executive Director:

- 3.4.3 Adopt a reorganization plan which reduces the SFHA administrative staff by 31 positions and reduces administrative salary and benefit costs by \$1.5 million and related contractual services by \$70,000 annually.

SAVINGS/BENEFIT

Implementation of these recommendations would enable the SFHA to save \$1.57 million annually (\$1.5 million in personnel costs and \$70,000 in contractual services). This \$1.57 million could be added to the SFHA's operating reserve to be used for other activities, such as needed improvements to the public housing units. Use of these \$1.57 million in savings would be subject to approval by HUD.

SECTION 3.5 PAYMENT IN LIEU OF TAXES (PILOT)

- A COOPERATIVE AGREEMENT BETWEEN THE CITY AND COUNTY OF SAN FRANCISCO AND THE SAN FRANCISCO HOUSING AUTHORITY (SFHA) PROVIDES FOR THE SFHA'S EXEMPTION FROM CERTAIN CITY AND COUNTY TAXES AND SPECIAL ASSESSMENTS, AND INSTEAD REQUIRES THE SFHA TO PAY THE CITY PAYMENTS IN LIEU OF TAXES (PILOT).
- ALTHOUGH THE COOPERATIVE AGREEMENT REQUIRES THAT THE SFHA RECEIVE APPROVAL FROM THE BOARD OF SUPERVISORS TO HAVE THESE PAYMENTS WAIVED, THE SFHA NEITHER PAID THE CITY FOR ITS ANNUAL OBLIGATIONS IN LIEU OF TAXES, NOR HAS RECEIVED BOARD OF SUPERVISORS APPROVAL TO WAIVE ITS PILOT OBLIGATIONS SINCE FY 1989-90.
- AS A RESULT, THE SFHA CURRENTLY OWES THE CITY'S GENERAL FUND APPROXIMATELY \$1.7 MILLION FOR ANNUAL PILOT PAYMENTS FOR FISCAL YEARS 1990-91 THROUGH 1992-93.
- SINCE THE SFHA CURRENTLY HAS A CASH RESERVE OF APPROXIMATELY \$9.2 MILLION, THE SFHA SHOULD IMMEDIATELY PAY THE \$1.9 MILLION FOR ITS PAYMENT IN LIEU OF TAXES (PILOT) OBLIGATIONS OWED TO THE CITY AND VARIOUS SPECIAL DISTRICTS FOR THE LAST THREE FISCAL YEARS. THIS WOULD DIRECTLY BENEFIT THE CITY'S GENERAL FUND BY AN ESTIMATED \$1.7 MILLION. THE REMAINING \$200,000 WOULD DIRECTLY BENEFIT VARIOUS SPECIAL DISTRICTS, INCLUDING THE SAN FRANCISCO UNIFIED SCHOOL DISTRICT, COMMUNITY COLLEGE DISTRICT, THE BAY AREA RAPID TRANSIT DISTRICT AND THE BAY AREA AIR QUALITY MANAGEMENT DISTRICT.

Introduction

A Cooperative Agreement between the City and County of San Francisco and the SFHA dated January 21, 1965 provides for the exemption of all SFHA public housing developments from all real and personal property taxes and special assessments collected by the local tax collector. During the period of this exemption, the SFHA agrees to make alternate payments to the City and County of San Francisco. Such payments are referred to as a "payment in-lieu of taxes" (PILOT). As specified in the agreement, the SFHA's PILOT will equal 10 percent of the total rents charged to SFHA public housing development tenants during the fiscal year.

Municipal governments can require local housing authorities to render a payment in-lieu of taxes as provided for in the Housing Act of 1937. It was the intention of this Act to allow compensation to local governments for general municipal services that benefit public housing tenants such as police, fire, recreation and health.

Prior and Current Year SFHA Payment in Lieu of Taxes (PILOT)

Prior to Fiscal Year 1982-83, the SFHA paid its PILOT obligations when funds were available. However, due to financial difficulties, the SFHA, through the Office of the Mayor, requested that the Board of Supervisors waive the SFHA annual PILOT obligation for FY 1982-83 to FY 1989-90. As a matter of policy, the Board of Supervisors granted these requests. Consequently, the SFHA was relieved of its PILOT obligations for seven fiscal years. The amount of PILOT payments waived during this seven year period totaled approximately \$4.2 million.

In May of 1990, the SFHA again requested, through the Office of the Mayor, that the Board of Supervisors waive its PILOT for FY 1990-91.¹ However, this request was not forwarded to the Board of Supervisors for approval. The SFHA had also requested, through the Office of the Mayor, in February of 1993 that the Board of Supervisors waive its PILOT obligation for FY 1991-92 and FY 1992-93. However, neither of these requests have ever been forwarded to the Board of Supervisors. Therefore, the Board of Supervisors has not approved any PILOT waivers for FY 1990-91 through FY 1992-93.

Amount of Prior Year and Current Year PILOT Payments Owed to the City

Due to the fact the SFHA has not obtained approval from the Board of Supervisors to waive its PILOT obligation for the past three fiscal years, the Budget Analyst has estimated the amount of PILOT payments that are currently due from the SFHA. PILOT payments are apportioned to the City and County of San Francisco's General Fund, and to other special districts, such as the San Francisco Unified School District, based upon a formula. The following table provides a year-by-year analysis of PILOT payments due from the SFHA and the apportionment factors that apply.

¹At that time, the SFHA estimated that the PILOT for FY 1990-91 was \$846,660. On October 27, 1993, the SFHA advised the Budget Analyst that the actual PILOT for FY 1990-91 was reduced by \$146,313 to \$700,347 (see Table 3.5.1).

Table 3.5.1

**Payments In Lieu of Taxes (PILOT) and
Estimated Distribution to the City's General Fund**

<u>Fiscal Year</u>	<u>PILOT Payment Due</u>	<u>City's General Fund Apportionment Factor</u>	<u>Amount Due to General Fund</u>
1990-91	\$700,348	87.42%	\$612,244
1991-92	616,350	87.42%	538,813
1992-93 ²	<u>615,205</u>	86.17%	<u>530,122</u>
Total	\$1,931,903		\$1,681,179

The table above indicates that a total of approximately \$1.9 million is due to the City and County of San Francisco, including an estimated \$1.7 million for the General Fund. As noted, during the seven-year period of FY 1982-83 through 1989-90, the Board of Supervisors granted a waiver of the SFHA's PILOT obligation due to the financial difficulties that the SFHA was experiencing at that time. However the SFHA has since recovered from these financial difficulties. In fact, as of September 30, 1992³, the SFHA had accumulated an operating reserve of approximately \$9.2 million. Given the SFHA's financial resources, the SFHA should immediately render payment to the City and County of San Francisco in the amount of \$1.9 in PILOT obligations that are currently outstanding, including an estimated \$1.7 million for the City's General Fund.

CONCLUSION

The SFHA is obligated to pay an annual Payment in Lieu of Taxes (PILOT) pursuant to a 1965 cooperative agreement with the City and County of San Francisco. This obligation has been waived annually by the Board of Supervisors from FY 1982-83 to FY 1989-90. Since FY 1989-90, the Board of Supervisors has not received a request from the SFHA to waive its annual PILOT obligation and therefore has not approved any such waivers. Due to the fact that the SFHA has accumulated a \$9.2 million operating reserve during the past several years, the SFHA should immediately pay its PILOT obligations for Fiscal Years 1990-91 through 1992-93. The total obligations that have accumulated during the past three years amounts to approximately \$1.9 million, including approximately \$1.7 million that is due to the City's General Fund.

²An estimated amount subject to minor revisions.

³Source: SFHA Executive Director's Report and Revised Five Year Work Plan, May 1993 (page 1).

RECOMMENDATION

It is recommended that the SFHA:

- 3.5.1 Immediately pay its PILOT obligations that have accumulated over the past three years and which are owed to the City, the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District.

SAVINGS/BENEFITS

The implementation of this recommendation would result in increased revenues to the City and County of San Francisco's General Fund by a total amount of approximately \$1.7 million and would result in increased revenues to the San Francisco Unified School District, San Francisco Community College District, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District by a total amount of approximately \$200,000.

SECTION 4.1 EMPLOYEE RECRUITMENT AND STAFF EVALUATIONS

- THE SAN FRANCISCO HOUSING AUTHORITY (SFHA) DOES NOT COMPLY FULLY WITH ITS PERSONNEL POLICIES AND PROCEDURES PERTAINING TO RECRUITMENT AND STAFF EVALUATIONS.
- BASED ON A RANDOM SAMPLE, THE BUDGET ANALYST FOUND ONLY 18 OF THE REQUIRED 32 RECRUITMENT AND SELECTION PROCEDURES WERE ADHERED TO FOR THE FILLING OF NEW AND VACANT POSITIONS IN 1992. IN ADDITION, CONTRARY TO SFHA PERSONNEL REQUIREMENTS, THE BUDGET ANALYST FOUND THAT THE SFHA DID NOT CONDUCT PERFORMANCE APPRAISALS DURING THE LAST TWO YEARS.
- FURTHER, A SAMPLE SURVEY OF SFHA PERSONNEL INDICATED THAT 68 PERCENT OF THE EMPLOYEES WERE DISSATISFIED WITH CAREER OPPORTUNITIES WITHIN THE SFHA, 70 PERCENT OF THE EMPLOYEES INDICATED THAT SFHA ADMINISTRATIVE POLICIES AND PRACTICES WERE NOT APPLIED FAIRLY AND 75 PERCENT OF EMPLOYEES INDICATED THAT SFHA CRITERIA FOR PROMOTIONS WERE NOT CLEAR, APPROPRIATE AND EQUITABLE.
- BY COMPLYING WITH ESTABLISHED PERSONNEL POLICIES AND PROCEDURES, THE SFHA WILL PROVIDE ADEQUATE ASSURANCE THAT ONLY THE MOST QUALIFIED CANDIDATES ARE SELECTED, THAT ALL EMPLOYEES ARE CONSISTENTLY AND OBJECTIVELY EVALUATED AND THAT ALL EMPLOYEES ARE PROVIDED EQUAL ACCESS TO PROMOTIONAL OPPORTUNITIES.

Introduction

On February 27, 1987, the San Francisco Housing Authority (SFHA) Board of Commissioners adopted and approved a Personnel Policies and Procedures Manual. This manual was approved after the need for new and amended fair and forthright personnel policies and procedures were identified by the SFHA Commissioners. The SFHA Director of the Personnel Services Department has responsibility for ensuring adherence to Policies and Procedures.

Policies Pertaining to the Recruitment and Selection of New Employees

The SFHA Personnel Policies and Procedures Manual has established a procedure by which prospective SFHA employees are to be recruited and selected. These procedures have been established in order to ensure the following:

- Only the most qualified and capable applicants are selected to fill vacant SFHA positions; and
- Where appropriate, priority is granted to existing SFHA public housing residents and to SFHA employees.

The required steps in hiring a new employee are as follows:

- Position Advertising. The Personnel Services Department (PSD) should determine the method of recruiting, including determining the appropriate classified/display advertisement and should receive applicant letters and resumes.¹
- Internal and Resident Posting. Available vacant positions should be posted throughout the SFHA. Preference should be given to current SFHA employees over external candidates. When two SFHA employees exist who are equally qualified to fill the position vacancy, preference should be given to the candidate with greater seniority. In addition, the Personnel Services Department should mail postings to appropriate local and City-wide tenant organizations upon notification of an available vacant position.
- Candidate Evaluation and Selection. Applications should first be screened to eliminate candidates who do not meet the position qualification requirements. Once a list of qualified candidates has been developed, candidates should be ranked according to one or more of the following:
 - Qualifications as represented by the candidate on the written application;
 - Results of an oral interview by either a department manager or interview panel;
 - Results of a written examination which tests the prospective employee's knowledge or skills.

¹ According to the Personnel Director, posting files for each new position contain documents related to the advertising of a position, applicant letters and resumes, information on candidate screening and interviews, and evidence of in-house posting. When available, information in these files have supplemented data available in individual personnel files.

Based upon the outcome of this process, a candidate should be chosen and the qualifications of the candidate should be verified through at least three reference checks, of which two should be former employers of the candidate.

- **Probation.** All new employees are required to serve a probationary period of six months. During this probationary period, the employee should receive two formal performance appraisals by his or her immediate supervisor. The second of these two appraisals should include a recommendation as to whether the employee should either be dismissed, remain on probation, or be retained as a permanent SFHA employee.

In order to evaluate whether the SFHA is complying with its personnel recruitment and selection procedures, the Budget Analyst reviewed the posting and personnel files for a sample of eight vacant and newly created positions during 1992.² These positions and dates of employment are as follows:

Table 4.1.1

Personnel Services Department
Sample of Positions in Planning & Design Department

<u>Position Title</u>	<u>Date of Hire</u>	<u>FY 1993-94 Annual Salary</u>
Economic Development Specialist	2/24/92	\$46,745
Recreation (Youth) Coordinator	5/11/92	32,155
Drug Elimination Supervisor	6/1/92	42,439
Safety Officer	8/4/92	54,601
Eligibility Clerk	8/10/92	39,357
Construction Administrator	8/17/92	37,088
Construction Inspector	9/22/92	46,846
Senior Account Clerk	12/7/92	32,018

The following table provides the results of the Budget Analyst review of the posting files for these positions:

² The sample of vacant positions was limited to the hiring of employees during 1992 in order to allow sufficient time after the date of hiring to determine if the requirement for probationary performance appraisals had been met.

Table 4.1.2

**Compliance with Personnel Policies and Procedures
Assessment of Recruitment and Selection Steps**

<u>Position Title</u>	<u>Position Advertising</u>	<u>Internal & Resident Posting</u>	<u>Evaluation Selection</u>	<u>Probation Evaluations</u>	<u>Totals</u>
Economic Development Specialist	No	No	No	No	0
Recreation (Youth) Coordinator	Yes	Yes	Yes	No	2
Drug Elimination Supervisor	Yes	Yes	Yes	No	3
Safety Officer	Yes	Yes	Yes	No	1
Eligibility Clerk	Yes	Yes	Yes	No	2
Construction Administrator	No	No	No	No	0
Construction Inspector	Yes	Yes	Yes	No	3
Senior Account Clerk	<u>Yes</u>	<u>Yes</u>	<u>Yes</u>	<u>No</u>	<u>3</u>
Total Number of Procedures in Compliance	6	6	6	0	18
Total Number of Procedures	8	8	8	8	32
Percent of Total in Compliance	75	75	75	0	56.3

As indicated in the preceding table, the SFHA has not complied with the recruitment and selection process requirements specified in the Personnel Policies and Procedures Manual. On average, only 56.3 percent of the total steps required by the Personnel Policies and Procedures Manual were actually performed, and in no instances were Probation Evaluations completed. As a result, the SFHA has not been able to provide adequate assurance that the stated objectives are met concerning a) hiring only the most qualified candidates to fill vacant positions and b) granting priority fully to SFHA employees and public housing residents where appropriate.

This non-compliance with personnel policies and procedures creates ample opportunity for abuse in employee hiring practices.

SFHA management staff has advised the Budget Analyst that steps have now been taken to comply with all recruitment policies and procedures.

Annual Evaluations for Permanent Employees

The Personnel Policies and Procedures Manual also requires that, unless collective bargaining agreements stipulate otherwise, each SFHA employee should be given a formal performance evaluation each year. The SFHA Personnel Policies and Procedures Manual also specifies the contents of evaluations, and how such evaluations should be conducted. The SFHA's performance evaluation system has been established for the purpose of the following:

- Assisting supervisors in making objective evaluations of their employee's job performance;
- Providing SFHA employees with detailed evaluations of their job performance and to provide them with the feedback needed to assist them in improving their performance;
- Providing a basis for determining the job training needs of individual employees, and to identify potential growth areas; and
- Determining whether promotions or incentive compensation should be granted to employees who have exhibited exemplary performance.

To determine whether the SFHA had adhered to its policy requiring the annual evaluation of permanent employees, the Budget Analyst requested that the SFHA provide a list of employees who were the subject of formal performance evaluations during FY 1992-93. In response to this inquiry, the SFHA indicated the following:

- Although informal evaluations have been given to a few SFHA employees in response to specific performance problems, and to justify the promotion of certain employees, the Budget Analyst found that the SFHA did not conduct performance appraisals during the last two years.³

Effect upon employee satisfaction with SFHA Administration

As part of this management audit, the Budget Analyst developed and submitted a written Employee Attitude Survey to 105 randomly selected SFHA employees. This survey inquired of SFHA personnel as to their overall level of satisfaction with their working conditions, and other matters pertaining to their employment. The results of this survey are included as Appendix 4.1.1 of this report. This survey demonstrated that a high level of dissatisfaction exists among employees regarding the personnel practices of the SFHA. The following points summarize the results of this survey⁴:

³ Based on a random sample of 55 employee personnel files, the SFHA found no evaluation appraisals accomplished during the last two years.

⁴ Excludes No Opinion and Uncertain responses.

- 68 percent of the respondents indicated dissatisfaction with career opportunities within the SFHA;
- 70 percent of the respondents indicated that SFHA administrative policies and practices were not applied fairly; and
- 75 percent of the respondents indicated that SFHA criteria for promotions were not clear, appropriate and equitable.

These survey results indicate that SFHA's lack of compliance with its policies pertaining to employee recruitment, selection and evaluations have adversely affected employee perceptions of SFHA management. This adverse perception also includes a perception that management lacks the ability to objectively evaluate its employees, and to provide these employees equal access to promotional opportunities.

The survey also reported that only four out of a total of 29 employees, or 13.8 percent of the total number of employees who responded to a question related to performance appraisals, received a performance appraisal during the last 12 months.⁵

CONCLUSION

The SFHA has not adhered to its own policies and procedures pertaining to recruitment, selection and evaluation of employees. As a result, the SFHA has not been able to provide adequate assurances that only the most qualified candidates are selected to fill vacant and new positions, and to ensure that all employees are consistently and objectively evaluated. This non-compliance creates ample opportunity for abuse in employee hiring practices. Under these circumstances, the SFHA Commissioners and management staff have no means of assuring whether or not its employees are meeting minimal standards of performing their assigned work.

Based upon an employee attitude survey, it has been determined that this lack of compliance with hiring and evaluation policies and procedures have also adversely affected employee perceptions about the ability of its management to objectively evaluate its employees, and to provide equal access to promotional opportunities.

⁵ One of the four employees who received a performance appraisal indicated that the evaluation did not comply with SFHA procedures in that the employee was not allowed to discuss the findings with the employee's supervisor.

RECOMMENDATIONS

It is recommended that the SFHA Commissioners and Executive Director:

- 4.1.1 Require full and complete adherence to the SFHA personnel policies and procedures pertaining to the recruitment, selection and evaluation of its employees.

SAVINGS/BENEFIT

The implementation of this recommendation will provide greater assurance that only the most qualified candidates are selected to fill SFHA vacant positions. In addition, the SFHA will ensure that all employees are consistently and objectively evaluated.



SAN FRANCISCO HOUSING AUTHORITY

440 TURK STREET • SAN FRANCISCO, CALIFORNIA 94102 • TELEPHONE (415) 554-1200

November 12, 1993

Harvey Rose
Budget Analyst
City Hall
San Francisco, CA 94102

Dear Mr. Rose:

I am providing for your review, and for inclusion in the "Report To The San Francisco Board of Supervisors - Management Audit of the San Francisco Housing Authority", our responses to the findings and recommendations contained in the report. We are expecting that the full text of the enclosed response will be included in the report without modification, alteration or other edits to these responses or any other component of your report which might affect these responses.

Overall, we are pleased that the report verifies many of the major accomplishments we have made under extraordinarily difficult circumstances that have confronted this agency and public housing nationally over the past few years. We take note of the removal of the agency from the troubled list of Public Housing Agencies (PHA's) by HUD, the significant financial recovery of the public housing program, the significant capital improvement funding received under the modernization and new highly competitive Urban Revitalization Demonstration programs, the reduction in the number of vacant public housing units (in a City in desperate need to preserve and utilize a precious low income rental housing resource) and the strengthening of management systems overall, as reflected in the limited number of material findings in the audit report. We know that if such an audit were conducted a few years ago, the findings and recommendations regarding the operations of the San Francisco Housing Authority would have been far different than they are in this report. 1.

During this time of transition, it is also important to acknowledge that many areas in the operations of the San Francisco Housing Authority still require improvement, and that it is essential that we continue to move forward in good faith with our efforts to better serve the residents of San Francisco's public housing. As Acting Executive Director, it is my intention to tackle many of the issues addressed in this report and to respond to the recommendations which it contains in a manner which will best meet the needs of the residents of public housing.

Comment of the Budget Analyst. The numbers in the right-hand margin correspond to the Budget Analyst's Rebuttal to the SFHA's response beginning on page 94.

Despite the report's clear acknowledgement of major improvements at the Authority, the report also identifies areas which are in need of attention and action. It is important to note that the enclosed responses and the discussions we have had with the auditors provide clear evidence that many of the findings are not of a serious nature or are already being addressed through the actions of Authority management. An example is the installation of a comprehensive long term solution to our automated management information system needs, which will enhance both management reporting and internal controls. Where other actions are necessary due to the findings and recommendations of the auditors, we have included appropriate measures as a part of the responses and will incorporate such measures into the goals and objectives currently being updated as part of our annual management improvement planning process.

Despite the above, it is important for us to take this opportunity to take note of some of the findings and recommendations made in the report, which run counter to national policy for improving public housing and which do not represent appropriate courses of action for an agency charged with maintaining such a valuable asset (as public housing) in the City of San Francisco. One such example is the alleged over-staffing of maintenance employees. Findings by this Authority and others nationally indicate that existing public housing has been significantly under-funded in the area of capital improvements. Despite the acknowledged success of the Authority in obtaining capital improvements funds, we and other very large urban Public Housing Authorities have been significantly under-funded in the area of capital improvements. One need only offer as evidence the Comprehensive Plan approved by HUD which outlines a capital need (without major redesign or reconstruction) of well over \$300 million. Even without any accrual of capital needs, it would take 15 to 20 years under the present formula to meet the basic capital repair requirements of the public housing program. This illustrates but one reason for the need to give priority attention to maintaining the public housing stock through increased management services. As a consequence of our financial recovery and sound financial management practices, we have been able to direct higher levels of funding toward critical operating services. This is an accomplishment to be applauded and not criticized.

The funding and special grants this Authority has been able to attract is greatly linked to our ability to ensure funding agencies that we have the staffing and administrative capacity to manage these programs. The staffing levels and the organizational structure that promotes planning and the targeting of staff resources toward planning/design and a separate but important area of public construction, is one of the ways in which an organizational cost is translated into an "asset" or investment. As referenced by this report's own mention of our accomplishments, it is clear that this investment has paid great dividends to the benefit of those residents of the City in greatest need of these additional resources. These are resources that are mostly from

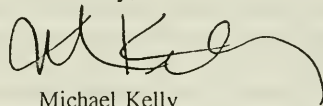
Harvey Rose
November 12, 1993
Page Three

the federal government that insure to the benefit of San Franciscans at a time when other sectors of the local economy (both public and private) are experiencing significant "outside" disinvestment.

It is hoped that the above and the enclosed responses will offer further information and insights into the accomplishments of the Authority and an even greater appreciation of the management and other challenges confronting this and other agencies which own and operate public housing. As always, we stand ready to discuss any and all aspects of the our responses and your report in further detail.

If you should have any questions or desire any additional information or assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Kelly', with a long, sweeping horizontal line extending to the right.

Michael Kelly
Acting Executive Director

MK:ai

Enclosure

Introduction

During this time of transition, it is important to acknowledge that the operations of the San Francisco Housing Authority still require improvements, and it is essential that we continue to move forward in good faith with our efforts to better serve the residents of San Francisco's public housing. As Acting Executive Director, it is my intention to tackle many of the issues addressed in this report and to respond to the recommendations which it contains in a manner which will best meet the needs of the residents of public housing.

The Budget Analyst's report contains a number of recommendations which are consistent with the San Francisco Housing Authority's goals of strengthening its management of public housing programs for low income families, seniors, and disabled individuals in San Francisco. Several of the Budget Analyst's recommendations are, in fact, already reflected in the SFHA's current workplan for management improvements. Many of the weaknesses identified in the Budget Analyst's report will be corrected with the implementation of the SFHA's new management information system, which is currently underway.

We are disappointed, however, that the Budget Analyst has also made a number of recommendations which are completely inconsistent with the SFHA's efforts to enhance services provided to the residents of public housing. We strongly disagree with the Budget Analyst's arbitrary recommendations to eliminate nearly \$1 million in funding which is included in the 1993-94 budget to expand maintenance services in public housing developments for seniors and families. We also strongly disagree with the recommendation to reduce administrative staffing to the 1990-91 level, eliminating positions which have been added to manage new drug elimination, security, and resident economic development programs, and a major expansion in maintenance, modernization, and development activity.

We also disagree with the Budget Analyst's recommendation that the SFHA make \$1.9 million in payments to the City and County of San Francisco because these funds are needed to sustain improvements and security and maintenance services in public housing developments.

As acknowledged in the Budget Analyst's report, the SFHA has achieved some major improvements during the past five years. Vacancies have been sharply reduced; maintenance, modernization and development activities have been greatly expanded; new programs have been implemented; and fiscal stability has been restored. These are major accomplishments for an agency with a seriously troubled history.

Not all longstanding management deficiencies have been corrected overnight. The Budget Analyst has identified some remaining weaknesses in administrative procedures, and has made some recommendations for improvements. The SFHA will take these recommendations into consideration in its continued efforts to improve the efficiency and effectiveness of its operations, and to ensure compliance with appropriate internal controls and procedures. However, we believe that arbitrary reductions in the resources allocated to administrative and maintenance services provided by the SFHA would be counter-productive, and would undermine our ability to achieve the goal of improving the quality of services provided to public housing residents.

Section 1.1 Section 8 Housing Assistance Program Overpayments

The Budget Analyst has greatly exaggerated the frequency and average cost of HAP overpayments to landlords participating in the Section 8 program. The SFHA has reviewed each of the cases included in the Budget Analyst's sample. We found that in many cases, computer-generated checks were placed on "hold" and never released to landlords, or overpayments were subsequently recovered from landlords.

Because the Budget Analyst did not fully understand or recognize the complex manual procedures used by the SFHA to process adjustments to HAP payments, the report significantly over-estimated the total amount of overpayments made each year, and significantly under-estimated the total amount of such overpayments which are subsequently recovered by the SFHA. The SFHA provided extensive documentation to the Budget Analyst in an effort to correct the errors in the draft report. However, the Budget Analyst chose to disregard most of the documentation that was provided. 5.

HAP "overpayments" occur for a variety of reasons, primarily because a tenant moves out after HAP checks have been produced for the first of the month. Under some circumstances, the landlord is entitled to receive rent for up to 30 days after the tenant moves out, while in other cases the landlord must repay any rent paid for the portion of the month after the unit is vacated. Because many landlords who participate in the Section 8 program have more than one unit under HAP contract, the SFHA frequently will make adjustments for overpayments by deducting the overpayment amount from the total HAP payment to the landlord for other tenants in subsequent months.

The Budget Analyst conducted a review of a ten percent sample of all new HAP contracts during the period December 1991-March 1993. This sample included 50 HAP contracts issued for tenants who had moved from one unit to another. The Budget Analyst indicates that overpayments occurred in 16 cases, or 32% of the time, and that the average overpayment was \$266 per transfer. The Budget Analyst indicates that this estimate is adjusted for landlord payments that have been deducted in subsequent payments.

However, when the SFHA conducted a review of the same 50 cases, we determined that in most cases checks were placed on "hold" and never released to landlords in the amounts indicated by the Budget Analyst, or overpayments had been deducted from subsequent payments to the same landlord for other tenants. The sample included only two cases in which overpayments were made and no recovery had been made from the landlord during the audit period. The actual net overpayment rate was only 4% of the sample, for an average un-recovered overpayment amount of only \$52 per transfer. Documentation regarding these cases was submitted to the Budget Analyst, but was not taken into consideration in the report. 6.

Based upon our review of the same sample used by the Budget Analyst, we estimate that overpayments to landlords which have not been recovered by deduction from subsequent payments averaged less than \$20,000 per year during the audit period, or a total of less than \$60,000 during the three year period considered by the Budget Analyst. During the same

period, the SFHA has made HAP payments to landlords which totalled more than \$100 million, meaning that the rate of overpayments during this period was far less than one-tenth of one percent.

The SFHA recognizes that its current manual systems for tracking HAP overpayments allow for human error, and do not provide the types of consolidated management information reports that allow for easy and consistent monitoring of the status of efforts to recover overpayments made to landlords. The SFHA's manual systems include supervisors' review and procedures which are intended to provide for recovery of overpayments, but because the Section 8 and Finance Departments do not share an integrated management information system, mistakes do occur in a small percentage of cases.

This weakness will be corrected during the next six months, as the SFHA implements the second phase of its new management information system. New computer hardware and software has been installed, and the SFHA is implementing systems which are currently in use in most other large public housing authorities in the country. During the first phase of this major conversion effort, eligibility, tenant accounting, and maintenance work order systems for the conventional public housing program have been implemented. Phase two, which is now underway, includes the implementation of Section 8 application software.

The new management information system is designed to provide the following functions, which are generally lacking in the SFHA's current system :

1. The system will provide a unique client identifier number based upon the applicant's social security number, and will link this unique client identifier to the voucher or certificate issued. The system will not permit the issuance of a new HAP contract for a client who already has an active HAP contract.
2. The Section 8 system has an accounts receivable system for the collection of balances due to the housing authority from landlords.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 1.1.1 The SFHA will review all active cases as part of its conversion of manual systems to a new computer system during the next six months. Our analysis indicates that the amount of outstanding overpayments is not significant enough to warrant a complete audit of all transfers since June 1990, but transfers for the past two fiscal years will be reviewed.
- 1.1.2 The SFHA will continue to seek repayment from all landlords with outstanding overpayments.
- 1.1.3 The SFHA is currently implementing a new computer system which will include all of the internal control systems which have been recommended by the Budget Analyst. This system will be operational in the Section 8 program within six months.

- 1.1.4 With implementation of the SFHA's new computer system, an accounts receivable system will be established to monitor the collection of overpayments to Section 8 landlords.

Section 1.2 Section 8 Reimbursement of Tenant Damage Claims

The SFHA aggressively seeks reimbursement from Section 8 program tenants for damage claims paid to landlords, and has been increasingly effective in obtaining such reimbursements in recent years. During 1991-92, the SFHA collected payments from tenants totalling approximately 29% of the total amount which the SFHA paid to landlords during the year. During 1992-93, collections by the SFHA totalled more than 53% of the amounts paid to landlords during the same period.

This collection rate is especially significant when you consider that in approximately one-third of all cases in which tenant damage claims are paid to the landlord, the SFHA is unable to contact the former tenant because the individual has died or been institutionalized, or has been terminated from the Section 8 program (in some cases because of failure to comply with program requirements and/or eviction as a result of alleged drug-related activity) with no forwarding address. As a result, it is unlikely that the SFHA's current collection rate will be increased significantly, even if better systems were in place to monitor the status of repayment agreements.

The SFHA's current manual system for monitoring the repayment status of tenant damage claims tracks payment histories in individual tenants' files. If tenants do not comply with the terms of their repayment agreements, and the family subsequently wishes to move to another apartment, the SFHA will not issue a transfer certificate or voucher until the balance is repaid in full.

The SFHA's current system does not provide the type of consolidated reports recommended by the Budget Analyst. During the next six months, however, the SFHA is implementing a new computer system for the Section 8 program. This new system will provide all of the management information recommended in the Budget Analyst's report, and the status of all outstanding claims will be input into the new system during implementation.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 1.2.1 The SFHA does not believe that there is a significant potential for collecting repayments from former tenants for damage claims paid as much as five years ago. In many cases these tenants have terminated their participation in the Section 8 program without a forwarding address. The SFHA will review the status of all tenant damage claims paid on behalf of tenants who are still participating in the Section 8 program, and will attempt to collect repayments whenever possible.
- 1.2.2 The SFHA is implementing a new management information system which will include the establishment of accounts receivable records and administrative procedures to improve the monitoring and collection of repayments for tenant damage claims.

Section 1.3 Allocation of Administrative Costs

The SFHA utilizes a per-unit methodology to allocate the costs of a limited number of administrative personnel whose duties encompass both the Section 8 and conventional public housing programs, as well as grant-funded activities in some cases. This methodology applies to only about 65 positions, of which only four positions are allocated to the Section 8 program at the 44.5% rate discussed in the Budget Analyst's report. The remaining 61 positions are allocated at the rate of 40% or less.

The per-unit methodology is widely used by other public housing authorities, because of its administrative simplicity and consistency. The Budget Analyst's recommendation to allocate costs based upon FTE's assigned exclusively to each program is inappropriate because FTE's are a poor indicator of the level of responsibility assumed by the SFHA for units in the Section 8 program.

Section 8 administrative costs, including the allocated costs which are the subject of the Budget Analyst's report, must be paid from Section 8 Administrative fee income, which is determined by a formula based upon the number of units occupied by Section 8 tenants. If a housing authority earns administrative fee income in excess of the administrative costs of the Section 8 program, these funds can be used for any housing related purpose.

Most housing authorities use Section 8 administrative fee income to support the costs of their conventional public housing program, through a cost allocation strategy similar to the one used by the SFHA and/or a direct appropriation of funds from the Section 8 Reserve to the conventional public housing program. (In past years the SFHA has used both of these approaches.)

The use of Section 8 administrative fee income to support conventional public housing program costs was recently recognized by the Conference Committee of the U.S. Senate and House Appropriations Committees during their review of HUD funding for FY 1994. The Conference Report contained the following discussion of this issue:

"The conferees are concerned that some public housing authorities may be utilizing savings from (Section 8) administrative fees as offsets for shortfalls in operating subsidies. The current performance funding system does not adequately address all the 11. costs incurred by public housing authorities. The Department is urged to consider revising the PFS formula to reflect all costs required to operate and maintain public and Indian housing." (*Conference Report on H.R. 2491, H. Rpt. 103-273*)

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 1.3.1 The SFHA strongly disagrees with the Budget Analyst's recommendation to 12. establish a cost allocation methodology based upon full-time-equivalent (FTE) staffing levels instead of the number of housing units in the Section 8 and conventional public housing programs.

Section 2.1 Maintenance Division Staffing

The SFHA strongly disagrees with the Budget Analyst's recommendation that the Commission reduce the 1993-94 Maintenance budget by nearly \$1 million. Implementation of such a recommendation would have a severe detrimental impact on the quality of maintenance services¹³ provided to the residents of public housing.

The SFHA does not use the computerized maintenance work-order system to track the routine assignments of building custodians and laborers. Instead, these employees have regularly assigned duties, such as cleaning hallways or grounds at their assigned locations, and are supervised by the Maintenance Superintendents or property managers. The SFHA has used the maintenance work-order system primarily as a tool to track repair requests which are submitted by residents or property managers, as well as scheduled preventive maintenance tasks.

During the past few months, the SFHA has implemented a new computer system to track all maintenance work orders. This has been a major task, and our first priority has been to convert all of the critical functions, such as tracking repair requests. As this conversion is completed, the SFHA will be able to implement new procedures to improve the accountability over all maintenance personnel.

For example, with the implementation of the new computer system, property managers now have access to on-line information regarding the status of all outstanding maintenance requests. During the 1993-94 fiscal year, the SFHA is implementing project-based accounting systems that will further facilitate the coordination between property management and maintenance staff regarding the expenditure of maintenance funds (and manpower) at the project level. These and other long-term management improvements are intended to provide increased accountability in order to achieve enhanced performance of maintenance services in all public housing developments.

It is completely inappropriate, however, for the Budget Analyst to conclude that additional staff are not required to address today's critical maintenance needs in public housing units, simply because the SFHA does not use its management information system to track the daily work assignments of custodians and laborers, or because performance standards have not been established for specific tasks.

14.

The Budget Analyst's report recommends elimination of all additional maintenance staffing included in the 1993-94 budget. The impact of this recommendation would be to seriously diminish the quality of maintenance services in the SFHA's senior and family developments, and it would not result in the level of savings claimed by the Budget Analyst's report, for the following reasons:

1. Approximately two-thirds of the savings identified in the Budget Analyst's report are associated with the elimination of temporary staffing which was added in¹⁵ order to reduce the backlog of outstanding workorders. The goal of this effort is to respond to outstanding repair requests and address Housing Quality Standards (HQS) deficiencies, in response to criticism by HUD, the Inspector General, and public housing tenants. Approximately 90% of these outstanding

workorders are for work which must be performed by skilled crafts employees (carpenters, glaziers, plumbers) rather than custodians or laborers. Better monitoring of the work assignments of unskilled crafts employees would not diminish the need for skilled crafts employees to address this backlog.

2. If the Budget Analyst's recommendations were implemented, savings would be significantly less than the amount indicated in the report. By the time the report 16. is issued, approximately one-third of the amount budgeted for the six-month backlog crew will have been spent.
3. Elimination of the funds allocated for 23 new resident custodians would result in a reduction in the level of custodial services provided to the SFHA's 23 senior developments. The impact of such a reduction would also require increased administrative costs in order to meet the requirements of San Francisco's Health Code, which requires that a "caretaker" be assigned to each of these buildings. The new resident custodian positions were funded in 1993-94 from savings which resulted from the elimination of the part-time administrative positions which had 17. previously been utilized to meet this requirement.

In conclusion, while the SFHA agrees that ongoing efforts are needed to improve management reporting systems to provide greater accountability over maintenance personnel, implement 18. performance standards, and improve working relationships between property management and maintenance staff, we believe that the goal of such efforts should be to improve the quality and timeliness of maintenance services to the residents of public housing, and not to achieve arbitrary reductions in budget levels.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 2.1.1 The SFHA strongly disagrees with the recommendation that budget allocations for maintenance staffing be reduced by \$957,000 in the 1993-94 fiscal year. Such a reduction would severely undermine the SFHA's efforts to improve the living conditions of public housing residents.
- 2.1.2 As the SFHA implements its new management information system, efforts will be made to utilize the system to provide greater accountability over the direct labor hours of all building crafts personnel.
- 2.1.3 During the 1993-94 fiscal year, performance standards for building crafts personnel will be established. Implementation of these performance standards will require the SFHA to meet and confer with the unions which represent building crafts employees.
- 2.1.4 The SFHA will continue its efforts to improve the working relationships between property managers and management personnel within the Maintenance Department, including the Maintenance Manager and Superintendents, and to increase the level of accountability over custodial staff.

Section 3.1 Financial Reporting and Audit Follow-Up

The SFHA agrees with the Budget Analyst's recommendation to fill the vacant position of Director of Internal Audit, although we disagree with many of the Budget Analyst's findings and conclusions regarding the SFHA's overall efforts to address internal control weaknesses and report accurately to HUD on the status of these efforts. 19.

The position of Director of Internal Audit became vacant in May 1993. Only a few weeks later, the Executive Director announced that he would be leaving the SFHA in August. At that time, it was expected that the selection of a new Executive Director would be completed promptly. It was also assumed that a new Executive Director would want to be able to fill the position of Internal Audit Director with a person in whom the Director could have complete trust, rather than with an individual who had been selected by a former Director. As a result, a decision was made to delay selection of an Internal Audit Director.

At this time, given that there has been some delay in the selection of an Executive Director, the SFHA agrees that it is not appropriate to delay any longer the recruitment of candidates for the position of Internal Audit Director. The position will be posted and advertised within the next 30 days, with the hope of filling the position before the end of 1993.

The SFHA's delays in the submission of an independent audit report for the 1990-91 and 1991-92 fiscal years have resulted in part from the vacancy in this key position, but are also largely the result of the extraordinary demands that have been placed upon the SFHA by other audits and monitoring reviews which have been conducted in the past two years. In particular, audit staff from HUD's Office of the Inspector General (IG) were at the SFHA for approximately one year, and soon after that audit was completed the Budget Analyst's Management Audit was begun. These two audits resulted in the need to dedicate literally hundreds of hours of staff time to providing responses to questions, data requests, special reports, written responses, and follow-up reports which have been submitted to HUD.

The SFHA's independent audit for the 1990-91 fiscal year was delayed because of the Inspector General's Audit which covered the same time period. As a result of the IG's report, the independent auditors requested a contract amendment to expand the scope of their work to better address issues that had been raised by the IG. Currently, the auditors are preparing a combined report which will cover both the 1990-91 and 1991-92 fiscal years. This combined report, which will be completed by March 31, 1994, will provide a more accurate review of the status of internal control weaknesses and corrections which were implemented during the audit period.

As noted in the Budget Analyst's report, past audit reports which generally covered the period from 1988 to 1991, contained over 200 separate findings or recommendations. The SFHA has taken major steps to correct the most critical of these findings, and has implemented significant improvements in financial and management controls. A major component of our efforts to strengthen financial and management operations has been the purchase and implementation of a new comprehensive management information system, which is now underway. As indicated in our responses to Section 1.1 and 1.2 of the Budget Analyst's report, the new management information system will correct the weaknesses which have been identified in our current, primarily manual procedures for monitoring payments and collections in the Section 8 program.

The SFHA has accurately reported the status of audit findings to HUD, although with staff turnover and the vacancy in the position of Internal Audit Director, continued monitoring of the 20 . status of each of these corrective actions has not always occurred. For example, the Budget Analyst indicates that bank reconciliations have not been kept up to date because two accounts have not been reconciled in recent months. Although the SFHA had corrected this deficiency, staff turnover resulted in a reoccurrence of the same problem. During 1992-93 there were four extended vacancies among a staff of nine accountants and senior account clerks, as a result of death, disability, or family care leave. The new staff person hired to complete bank reconciliations resigned unexpectedly in the spring of 1993. Given the large number of vacancies, day-to-day accounting functions such as maintaining tenant accounts and processing vendor payments were temporarily given priority over bank reconciliation. All outstanding bank reconciliations will be brought up-to-date within the next 30 days.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 3.1.1 The SFHA will immediately begin the posting and recruitment process to fill the vacant position of Director of Internal Audit, and will require that this position periodically report to the Commission on the status of current and prior audit report recommendations.

Section 3.2 Cash Management and Investments

The Budget Analyst's report recommends a significant change in the SFHA's Investment policy and procedures, which could potentially result in some increased revenue for the SFHA. (Some, but not all of this increased interest income would result in a reduction of federal operating subsidy provided by HUD. As a result, only a portion of the increased revenues would be available for use by the SFHA.)

The SFHA has begun a preliminary review of the legal and operational issues associated with this recommendation. If the Treasurer of the City and County of San Francisco is willing to provide investment services for the SFHA, and if such an arrangement is legally permissible, staff will draft a policy revision for consideration by the SFHA Commission, as appropriate.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 3.2.1 If feasible and legally permissible, the SFHA will present to the Commission a proposed policy revision to allow the placement of surplus funds into the trust of the Treasurer of the City and County of San Francisco.

Section 3.3 Use of SFHA Motor Vehicles

The Budget Analyst's report completely misrepresents the facts regarding unauthorized use of SFHA vehicles. The Budget Analyst chose to conduct "random" after hours checks on the night before and morning after the annual SFHA employee picnic, an event which was widely

publicized throughout SFHA workplaces. Not surprisingly, the Budget Analyst found that vehicles which were assigned to staff who were responsible for delivering picnic supplies were not at their regular assigned location.

Four other vehicles were not at the locations inspected by the Budget Analyst because the cars are regularly stored at a different SFHA site after hours.¹ Another "missing" vehicle is used by Drug Elimination Program staff who frequently attend night or weekend meetings in public housing developments.

The Budget Analyst's report is also inaccurate regarding the SFHA's practice of allowing the home storage of vehicles by a limited number of employees who are required to respond to after hours emergencies. The SFHA does not permit the "unrestricted" personal use of these vehicles, as indicated in the report. Instead, employees have been advised that their use of SFHA vehicles is limited to commuting to and from work, as required by the provisions of the Internal Revenue Code and SFHA Fleet Vehicle Policies and Procedures.

The SFHA's home storage program was implemented for several reasons, including the need for more effective responses to after-hours maintenance emergency calls and the goal of reducing the incidence of vandalism and thefts from vehicles parked at SFHA facilities overnight and during weekends. Contrary to the findings in the Budget Analyst's report, the home storage of vehicles has not resulted in any accidents or losses during the past fiscal year, although vandalism has continued to be a problem for vehicles parked at SFHA sites. However, the SFHA is reviewing the practice of home storage, and will limit home storage authorization to only those time periods when an employee is actually responsible for providing after-hours service which could require the employee to return to work.

The Budget Analyst reports that the SFHA erroneously paid the City for a reported 200 gallon fill-up on a pick-up truck that had been removed from service. The SFHA Materials Manager has frequently attempted to resolved disputes with the City's Central Shops regarding fuel consumption reports. In particular, in several instances fuel consumption reports have shown that Central Shops has issued fuel to inactive vehicles for which fuel purchase "keys" had previously been de-activated. This has been an ongoing problem which the SFHA has attempted to correct in order to prevent the SFHA from being billed by Central Shops for costs which are inappropriate.

The Budget Analyst indicates that the SFHA's procedures which require sign-out logs for all vehicles have not been followed consistently. All SFHA employees have been reminded of the requirements of the SFHA's Fleet Vehicle Policies and Procedures Manual, particularly those regarding the requirement to maintain and submit sign-out logs, and to document all use of vehicles by drivers other than the individual to whom the vehicle has been assigned. Although many SFHA vehicles are regularly used by more than one driver in order to use a limited fleet

¹In at least one case, the Budget Analyst had been provided with listing which indicated the vehicle was stored at a location different from the one checked by the Budget Analyst; in several other cases, the Budget Analyst did not request vehicle locations at the time he made his after-hours checks. Given the timeframe for the Budget Analyst's review, it is possible that an outdated listing which did not reflect vehicle reassignments was used.)

more efficiently, the SFHA has assigned most vehicles to individuals to improve accountability for vehicle maintenance. Vehicle Assignments will be reviewed to ensure that vehicles which are regularly shared by more than one employee are recorded more accurately as pool vehicles.

The accident and arrest incidents cited in the Budget Analyst's report occurred approximately two years ago, and are unrelated to the SFHA's home storage practices or any other aspect of the SFHA's ongoing management of its fleet vehicles. The individual involved is no longer working at the SFHA. 26.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 3.3.1 The SFHA will improve its monitoring and controls of vehicle usage by requiring employees to submit monthly sign-out logs for all vehicles and monitoring the after-hours storage of vehicles. The SFHA regularly reviews monthly fuel consumption records and monitors accidents currently.
- 3.3.2 Effective December 1, 1993, the SFHA will discontinue the practice of allowing employees home storage of SFHA vehicles except during those time periods when an employee is actually responsible for providing after-hours service which could require the employee to return to work.

Section 3.4 SFHA Administrative Staffing

The growth in administrative staffing at the SFHA during the past three years is reasonable and appropriate, given the major expansion of modernization and development activity and direct services to public housing residents during this period. Most of the increased staffing has been funded from grant programs, not from federal operating subsidies provided to support the SFHA's conventional housing program.

As a result, the elimination of this personnel would not result in savings which could be added to the SFHA's operating reserve or used for other SFHA activities, as proposed by the Budget Analyst. Instead, the elimination of the grant-funded personnel added since 1990-91 would seriously diminish the SFHA's ability to implement drug elimination programs in public housing developments and to effectively manage over \$100 million in modernization and development activity which has been funded by HUD. 27.

Administrative Staffing

Administrative staffing has increased by approximately 13% since 1990-91, while maintenance craft staffing levels have increased by approximately 95%, maintenance and property management services have been increasingly decentralized to improve responsiveness to resident needs, and new programs have been implemented, including security in senior buildings, drug elimination services in family developments, and resident management and economic development activities.

Staffing for Planning & Design and Rehabilitation and Construction has increased by 48%, while the level of funded modernization and development activity has doubled during the same period.

In 1990-91, the SFHA was managing \$38 million in modernization activity, and completing construction on one new public housing development (Robert Pitts Plaza). In 1993-94, the SFHA is managing \$63.6 million in modernization activity, and is planning the complete demolition and reconstruction of at least three large public housing developments. (HUD funding has been awarded for two of these, Bernal and Plaza East, and the SFHA is negotiating with a private developer for redevelopment of Hayes Valley.) The Budget Analyst's report ignores this significant increase in the scope of activities within this area, and instead incorrectly assumes that the increase in staffing is simply the result of a re-organization from one to two divisions.²

In addition, staff increases have been necessary to manage comprehensive testing and abatement of lead-based paint hazards, and to provide in-house architectural design services, instead of more costly consultant contracts, for a large number of projects, including modifications to make public housing units accessible to disabled residents, and lighting and safety improvements.

Most of the new positions added since 1990-91 have been supported by increases in grants for capital projects, management improvements, and drug elimination programs. For the divisions which have had the biggest staffing increases, Executive Office/Legal Counsel and Planning & Design/Rehab & Construction, all of the additional fulltime positions are grant-funded.

Federal Operating Subsidy

While it is true that the SFHA has received a significant increase in federal operating subsidy since 1990-91, this increase has not been as a result of the SFHA's level of administrative staffing. Federal operating subsidy is determined by a complex formula known as the Performance Funding System, or PFS. Each year, a housing authority's PFS entitlement is calculated on the basis of factors which include the number of public housing units, federally-determined cost-of-living factors, utility rates, and the rent charged to public housing tenants. PFS computations determine an Allowable Expense Level (AEL) for the fiscal year.

Housing authorities must establish their operating budgets within the funding that is available under the PFS formula. If expenditures exceed the AEL in a given year, the housing authority must pay these costs from other funds, generally its reserves. (The 1993-94 SFHA budget includes the use of approximately \$935,000 in reserves which are being used to pay for a temporary increase in maintenance staffing and the implementation of a new computer system.) Housing authorities are not provided additional federal subsidy on the basis of increases in expenditures.

Federal operating subsidy is provided to make up the difference between the AEL and income from rent charged to public housing tenants. As a result, when dwelling rent charges are reduced, federal operating subsidy is increased. During each of the past three years dwelling rent charges to approximately two-thirds of SFHA's public housing tenants have been reduced because tenant incomes from AFDC or SSI welfare grants have been cut by the state of

²For both 1990-91 and 1993-94, the total level of modernization activity includes projects funded within the past three year, given the timeframe for planning, design, and construction activity.

California. In addition, rent charges have been reduced to reflect the increased cost of utilities, for those tenants who pay their own utility costs.

Because of the reductions in tenant incomes and rent charges during the past three years, the SFHA has been entitled to increased federal operating subsidy. While PFS formula adjustments (for inflation, utility rate changes, and an increase in the number of units of public housing since 1990-91) have totalled approximately 20%, and the SFHA's operating expenditures have increased consistent with this increase in AEL, all of the increase in AEL has been covered by an increase in federal operating subsidy. The SFHA would have been entitled to receive this additional federal operating subsidy regardless of the level of administrative expenses during this time period.

Supervisory Span of Control

The Budget Analyst's report indicates that the level of supervisory span of control for many SFHA administrative positions is unreasonably low, yet a review of the positions identified in the Budget Analyst's report does not support this conclusion. For example, the Budget Analyst indicates that the Materials Management, Rehabilitation & Construction, and Planning & Design departments each have one intermediate management layer. Elimination of this "non-essential" management layer would result in the Materials Manager providing direct supervision for 13 employees at two different locations. The Director of Planning and Design would directly supervise 13 administrative and technical employees, and the Director of Rehabilitation and Construction would have to directly supervise 20 administrative and technical employees and a construction crew of more than fifty skilled crafts employees.

Justification for Positions Added Since 1990-91

In the 1991-92 fiscal year, the SFHA added eight maintenance superintendents in order to facilitate the decentralization of maintenance services. In establishing these new positions, the goal was to provide supervision of all maintenance services, across jurisdictional lines, for a small group of public housing developments. The Budget Analyst's report acknowledges that the SFHA has expanded its maintenance staffing from 101 to 197 crafts employees, an increase of 95%, and that such an increase places additional demands for administrative support and supervision. The Budget Analyst fails to recognize, however, that even with the added administrative staff, the ratio of administrative employees to craft positions has been reduced from 1 to every 8.4 crafts employees, to 1 to every 9.4 permanent employees. (The ratio of administrative to crafts employees would be even lower if the additional 17 positions in the backlog crew were included in this calculation.)

In 1993-94, four administrative clerks were added to perform administrative services previously provided by the 22 housing assistants. These positions were added as part of a reorganization that reduced the number of administrative employees in order to improve maintenance services in senior buildings. One clerk was added to assist Materials Management staff in implementing a Materials Requirements Planning program and converting to a new computer system. Public housing residents were hired to fill each of these positions.

The Budget Analyst argues that with the implementation of a new management information system, the SFHA will need fewer clerical support positions. While this is our long term expectation, in the short term additional clerical staff are required to assist in the conversion effort. During the implementation phase, two computer systems are operated in parallel and data must be entered into both systems until the new system has been tested and all data and procedures have been converted accurately. This process will continue for the next six to twelve months, requiring additional administrative staff during the 1993-94 fiscal year.

The Budget Analyst's finding regarding the Materials Requirements Planner reflects a basic misunderstanding of the responsibilities of that position. The Materials Requirements Planner was added as a temporary, grant-funded position to implement improvements in the SFHA's planning process, including standardization of materials, more efficient purchasing and inventory systems, and implementation of new management information systems. These duties are very different from the day-to-day responsibilities of the SFHA's current staff of buyers. It is anticipated that this position will assist the SFHA in achieving significant long-term savings as well as improvements in the availability and quality of materials purchased.

The Budget Analyst's recommendation to eliminate \$950,000 in skilled and non-skilled building crafts positions is completely inconsistent with the recommendation on the following page of the report that savings from a reduction in administrative staffing costs should be used for "needed repairs to the public housing developments." We respond to this recommendation in more detail in our response to Section 2.1 of the report.

Labor Relations

The Budget Analyst's assertion that responsibility for labor relations rests with three positions in the SFHA's Personnel Department is neither accurate nor feasible. The SFHA retains a labor relations consultant who works under the direction of the Executive Director. This arrangement has been maintained under five previous Executive Directors, who have concluded that it was most effective to provide overall labor relations and contract negotiations through a personal services contract with a consultant who reports directly to the Executive Director. This relationship has been found to be most effective in stabilizing labor relations and in providing cost-effective services. The consultant's expertise and history in labor relations are well recognized.

The labor relations consultant's responsibilities include: contract negotiation, monitoring of contracts, mediation and liaison with each of the ten unions representing SFHA employees, meet and confer regarding contract compliance issues, and providing leadership, advice, and direction of all labor relations under the direction of the SFHA's Executive Director. These highly specialized functions are distinct from the responsibilities of the Personnel Department staff.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 3.4.1 The SFHA strongly disagrees with the Budget Analyst's recommendation to eliminate 31 administrative positions, and to terminate the contract for labor relations consultant services.

- 3.4.2 The SFHA strongly disagrees with the Budget Analyst's recommendation to reduce appropriations for administrative salaries and benefits and contract services by the amounts recommended by the Budget Analyst.
- 3.4.3 While it is anticipated that a new Executive Director may make some reorganization of administrative staffing, we believe that a plan which reduces administrative staffing to the levels recommended by the Budget Analyst would jeopardize the SFHA's ability to manage programs which have been added or expanded since 1990-91, such as security, resident management and economic development, and drug elimination programs, and expanded maintenance, modernization, and development activities.

Section 3.5 Payment in Lieu of Taxes (PILOT)

The SFHA strongly disagrees with the Budget Analyst's recommendation that the SFHA should pay \$1.9 million in PILOT for the fiscal years 1990-91 through 1992-93. As indicated in the Budget Analyst's report, the SFHA has submitted requests to the Mayor's Office for waiver of PILOT obligations for the past two years, and has anticipated that these requests would be approved by the Board of Supervisors as has been the policy of the City and County of San Francisco since 1982.

A request for a waiver of the 1992-93 PILOT has not yet been submitted, because the actual PILOT computation cannot be completed until after the end of the SFHA's fiscal year. Final year-end accounting adjustments are being made now, and we will submit a waiver request to the Mayor's Office within a few weeks. We anticipate that the Mayor's Office will submit this matter to the Board of Supervisors for their consideration soon.

Continuation of the policy of the City and County of San Francisco to waive the SFHA's PILOT obligations is critical to the SFHA's efforts to sustain the improvements in security and maintenance services which have been implemented in recent years. Our ability to fund these important services at their current level would be limited if the SFHA were required to pay PILOT at this time.

The Budget Analyst notes that as of September 30, 1992, the SFHA had established an operating reserve balance of \$9.2 million. However, in the 1992-93 and 1993-94 fiscal years, \$2 million of this operating reserve balance is being utilized to purchase and implement a new management information system and to fund a 17-person maintenance crew to respond to a backlog of workorder requests. These two major investments are essential to improving both the administrative performance of the SFHA and the living conditions of public housing residents.

Further reductions in the operating reserve balance could seriously undermine the financial stability of the SFHA. The level of operating reserve balance is one of the factors reviewed by HUD in its determination of whether a housing authority is designated as a "standard performer" or as a "troubled" agency. If the SFHA is required to make reductions in maintenance services, or reduce its operating reserve balance by the amount of the recommended PILOT payment, the result could be the re-designation of the SFHA as a "troubled" housing authority.

If the Board of Supervisors does not approve a waiver of PILOT for the three fiscal years, 1990-91 to 1992-93, it is the position of the SFHA that the actual amount due to the City and County of San Francisco may be less than the amounts indicated in the Budget Analyst's report. Under the terms of the Cooperation Agreement between the City and County of San Francisco and the Housing Authority, the City and County is obligated to provide to the residents of public housing services and facilities of the same character and to the same extent as are furnished to the other residents of San Francisco. The Cooperation Agreement further specifies that if the Authority incurs any expense to obtain services which the City and County of San Francisco is obligated to provide, the Authority may deduct these expenses from the amount of Payments in Lieu of Taxes (PILOT) due to the City and County.

During each of the three fiscal years for which PILOT waivers have been requested, the SFHA has made payments of approximately \$1.8 million annually to the San Francisco Police Department (SFPD) for services in public housing developments. The agreement between the SFHA and the Police Department specifically requires that these services be in addition to the services which the SFPD is otherwise obligated to provide, free of charge, to the residents of San Francisco. However, during the 1990-91 through 1992-93 fiscal years, the SFHA repeatedly found evidence that the officers funded by this agreement were performing routine police services which would otherwise be provided free of charge to San Francisco residents.

Accordingly, if the Board of Supervisors does not approve the requested waivers of PILOT for the fiscal years 1990-91 through 1992-93, the SFHA may request an independent audit of police services for the three year period in order to determine the appropriate deduction which must be made for the cost of police services that were purchased by the SFHA but otherwise due to the residents of public housing under the terms of the Cooperation Agreement.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 3.5.1 The SFHA strongly disagrees with the Budget Analyst's recommendations that the SFHA immediately pay its PILOT obligations for the past three fiscal years. This recommendation is not consistent with the policy of the City and County of San Francisco for more than a decade, and would have a serious impact on the SFHA's ability to sustain both improvements in services to public housing residents and the fiscal stability of the agency. If the Board of Supervisors does not approve the waiver which has been requested, the amount of PILOT payable by the SFHA to the City and County of San Francisco may be adjusted in accordance with the provisions of the Cooperation Agreement, and may be less than the amounts indicated in the Budget Analyst's report.

Section 4.1 Employee Recruitment and Staff Evaluations

The Budget Analyst's report indicates that in a limited number of cases, the SFHA failed to comply with all required steps in the recruitment and selection of employees hired during 1992. During the past year, the SFHA has made a major effort to strengthen its employee recruitment and selection efforts, and to improve its performance in this area. New procedures for the testing and selection of candidates for employment and promotional opportunities have been

negotiated with SEIU Local 790 and have been implemented in recent months. Both SFHA management and employees have reported increased satisfaction with the fairness and 41. effectiveness of the new procedures.

We firmly believe that if the Budget Analyst had reviewed a sample of employees hired during 1993, the result would have been a significantly higher rate of compliance with recruitment and selection procedures. It is also likely that the SFHA's rate of compliance during 1992 was somewhat higher than that indicated in the report; however in some cases complete documentation of advertising, posting, or selection for positions filled over a year ago was not maintained.

The SFHA acknowledges that performance appraisals of probationary and permanent employees have not been completed regularly. The SFHA's work plan for the 1993-94 fiscal year includes the development of new employee appraisal protocols and training for all supervisors. Effective November 1993, all supervisors have been directed to complete performance appraisals within 30 days of each employee's anniversary date in his or her current classification. The Personnel Department will monitor compliance with this requirement on a monthly basis.

The Personnel Department has also identified all administrative employees who have been hired within the past six months, and will follow up with supervisors to ensure the completion of probationary evaluations. All new administrative employees hired since October 4, 1993 have been advised that they should expect to be evaluated during their probationary employment period.

RESPONSE TO BUDGET ANALYST'S RECOMMENDATIONS

- 4.1.1 The SFHA will take appropriate steps to ensure full and complete adherence to its Personnel Policies and Procedures and its collective bargaining agreements regarding the recruitment, selection, and evaluation of its employees.

Budget Analyst Rebuttal to the SFHA response

Transmittal Letter

1. We strongly disagree with this characterization of our report. Our report contains numerous significant findings which are material in nature and which require the immediate attention of management. Furthermore, we present 20 separate recommendations to improve the administrative and financial controls of the SFHA.
2. We recognize that capital improvements are badly needed. Therefore it is essential that the SFHA maximize the efficiency of its Maintenance Division. In addition, implementation of our recommendations would increase the level of funds available for such capital improvements.

Introduction

3. This statement is not accurate. During the course of our review, we obtained and reviewed each of the five semi-annual reports and management workplans developed by the former SFHA Executive Director. Based upon this review, we determined that these workplans consistently failed to identify numerous significant management and financial control weaknesses inherent in the operations of the SFHA. For instance, the management workplan dated May 5, 1993 made no mention of the need to provide greater accountability over the time spent by its Maintenance Division building crafts personnel. Furthermore, although the SFHA management workplan presented six recommendations to improve the internal audit function, none made reference to the fact both the Director of Internal Audit and the Internal Auditor positions were vacant and that audit follow-up reporting was, at the time, non-existent.

Furthermore, we identified a consistent failure of the SFHA to achieve the goals and objectives that it had established for itself where problems were identified. For instance:

- The SFHA listed as an objective within its August 31, 1990 progress report to improve its procedures relative to change orders. This report noted that the existing change order process was extremely cumbersome and that the failure to expedite the change order process could significantly increase construction costs. Although this report listed June 30, 1990 as the target date for implementation, the most recent progress report issued by the Authority lists a target date for implementation of March, 1994, almost four years after the original target date.
4. We strongly disagree. By implementing our recommendations, the SFHA will conduct its administration and maintenance operations more efficiently,

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thereby increasing the level of funding availability for capital improvements and to expand participation in the Section 8 Leased Housing Program.

Section 1.1 Section 8 Housing Assistance Program Overpayments

5. This statement is incorrect. We reviewed the additional documentation provided by the SFHA and found it to be incomplete and unreliable. For instance, the SFHA's working papers contained no reference to their SFHA's accounting records or other source documentation which would indicate that payment had actually been withheld from Section 8 Program Landlords.
6. The SFHA's calculation of the net overpayment per case sampled is based upon unreliable and incomplete documentation. It should also be noted that we requested documentation from the SFHA on numerous occasions during the course of the audit, which would indicate that they were effective in withholding payments to Section 8 Program Landlords and that they were properly accounting for landlord overpayments. However, the SFHA was unable to provide such documentation despite our repeated requests.
7. Based upon a review of the documentation provided by the SFHA we have not changed our estimate of \$300,000 in overpayments to Section 8 Landlords during the past three years. In developing our estimate, we took the following data elements into consideration:
 - As cited in our report, the SFHA's own financial management staff indicated in a 1990 memorandum that approximately \$8,000 per month was being made to single tenant landlords and that the SFHA had not developed and effective of accounting for the subsequent collection of such overpayments.
 - Based upon our review of the accounting systems and procedures currently in effect, no measurable improvement had been made in the SFHA's system to account for landlord overpayments.
 - In response to an August 1993 inquiry made by the Budget Analyst, the SFHA reported that \$35,000 in overpayments had been made during the period of August, 1992 to July, 1993. However, the SFHA had made no attempt to recover such overpayments. Furthermore, we subsequently determined that this \$35,000 did not represent a complete accounting of the overpayments that were made during this time frame.

Even though we disagree with the SFHA's estimate, we also disagree with their assessment that \$60,000 is not significant. We believe that \$60,000 in taxpayers' dollars is significant.

8. The SFHA refuses to fully implement our recommendation. By failing to audit each of the past three years, the SFHA will have failed to account for an estimated \$246,000 in uncollected overpayments.

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Section 1.2 Section 8 Reimbursement of Tenant Damage Claims

9. We disagree. Based upon our review we have determined that the SFHA's poor performance in collecting tenant damage claims is due to insufficient monitoring and follow-up. Furthermore, the SFHA's own Section 8 Program enrollment data do not support its claim that "approximately one-third of all cases in which tenant damage claims are paid to the landlord, the SFHA is unable to contact the former tenant." We have determined that the large majority of Section 8 Program Participants continue their enrollment in the program even after a damage claim has been made against the tenant. This conclusion is supported by the fact that no new program participants have been enrolled in the Section 8 Program since 1986.
10. We disagree that there is not a significant potential for collecting repayments from tenants.

Section 1.3 Allocation of Administrative Costs

11. We disagree that using FTEs for cost allocation is inappropriate. This method of cost allocation is widely accepted and is employed by major City and County of San Francisco agencies, including the Department of Public Works (DPW). This method accurately reflects the proportionate differences in the time that is required to administer and operate the Section 8 and Conventional Housing programs. The SFHA's current per housing unit methodology is inappropriate because it takes more effort to administer the Conventional Housing program, including the maintenance of buildings, units, standard equipment and contract management for special programs, than the Housing Assistance Program.
12. The SFHA justifies their cost allocation plan by citing that other public housing authorities also use administrative fees charged to the Section 8 program to offset their own administrative costs. We disagree that the SFHA's existing cost allocation plan is appropriate or equitable simply because other housing authorities are also overcharging the Section 8 program. As noted in our report, the SFHA's method of cost allocation reduces funds that would otherwise be available to provide housing subsidies for an estimated 148 additional low-income families on an annual basis.

Section 2.1 Maintenance Division staffing

13. We disagree with the SFHA's contention that the implementation of this recommendation will have a detrimental impact on the quality of maintenance services. We believe that by exercising increased accountability the SFHA will provide greater assurance that maintenance services are being performed effectively at a lesser cost, thereby increasing the ability to fund other conventional housing activities, such as capital improvements.
14. We strongly disagree. This statement reflects the SFHA's attitude that the only way to increase the level of maintenance services is to increase current

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staffing levels, regardless of whether existing staff is efficient or not. This approach is simply not acceptable, when so little accountability exists over its current staffing. Before seeking to increase its staffing levels, the SFHA should provide adequate assurance that its existing labor force is being employed efficiently. Furthermore, our estimate of the savings which would result from implementation of our recommendations is reasonable, given the documented lack of accountability which exists in the Maintenance Division. In fact, the \$957,000 in savings that we have estimated amounts to less than 10 percent of the Maintenance Division's \$12.5 million direct labor budget for FY 1993-94.

15. Given the lack of performance standards which exist over skilled building craftspersons and the findings of the September, 1992, HUD Office of the Inspector General Report, which indicated such personnel were not being efficiently utilized, we determined that the addition of temporary personnel to reduce the eight week backlog of work orders could not be justified.
16. We disagree. The SFHA is only six weeks into the current fiscal year. Based upon our analysis of the SFHA's current staffing and appropriation levels, the Maintenance Division could accommodate a one-time reduction in appropriations for salaries and benefits of \$669,000 through one or more of the following:
 - Salary savings through attrition of permanent staff;
 - Immediate elimination of existing temporary personnel; and,
 - Reductions in appropriations for overtime which are currently budgeted at approximately \$350,000.
17. We disagree. The FY 1992-93 Maintenance Division authorized staffing level consisted of 38 full-time custodians. Therefore, it is not unreasonable to expect that existing staff could be re-deployed among the Authority's 26 developments to provide the desired coverage. Again, the SFHA should seek to better utilize its existing staff, rather than simply add additional staff as the perceived need arises.
18. We strongly disagree with the SFHA's characterization of our recommendations as "arbitrary". Rather than being arbitrary, these reductions have been formulated based upon the SFHA's inability to document that such new positions are essential to improve the level of maintenance services provided to public housing residents. Increases to the authorized staffing level of the SFHA Maintenance Division should only be granted once it has demonstrated that its existing personnel resources are being managed efficiently and effectively.

Section 3.1 Financial Reporting and Audit Follow-up

19. In their response, the SFHA has identified one instance in which they disagree with the findings and recommendations of this section.

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20. This statement is not accurate. In our report we document two instances in which the SFHA failed to report the accurate status of implementation of its recommendations to HUD.

3.3 Use of SFHA Motor Vehicles

21. We requested, but did not receive documentation to support the SFHA's claim that SFHA vehicles were being used for officially sanctioned activities during our sampling period.
22. We object to the suggestion of the SFHA that an outdated vehicle listing could have been used. Only one week before this auditing procedure was conducted, the SFHA, upon our request provided us with a current motor vehicle assignment listing by individual and by location. SFHA also claimed that some of stored vehicles could be found at other sites. Our inspections did not find these vehicles at the alternate sites either.
23. Our assessment that employees are granted unrestricted personal use of SFHA vehicles is accurate, and is based upon the following:
- The SFHA maintained little or no accountability over its motor vehicle fleet activity. The activities of only 10 out of 146 vehicles or 7 percent of all SFHA vehicles are monitored regularly; and,
 - Although we identified numerous instances in which the usage patterns and fuel consumption of the SFHA's vehicles was excessive, the SFHA could provide no explanation for such instances.
24. This statement misrepresents our findings. We have reported that the unrestricted personal use of SFHA vehicles unnecessarily increases the risk of exposure to such accidents and other potential sources of liability. The example provided in this report illustrates both the lack of controls over motor vehicle usage and the lack of management attention given to this problem.
25. The SFHA did not provide evidence that it had attempted to take corrective action when apparent irregularities occurred. The example cited in our report is indicative of the lack of attention that management has paid to this problem. Central Shops advised the Budget Analyst that SFHA paid for the 200 gallons without question.
26. This response is misleading. The employee cited in this example is currently employed by the SFHA however the employee is currently on paid medical leave. A review of the employee's personnel file indicates that no disciplinary action was taken against the employee. The accident and arrest instances were cited in this section to illustrate the SFHA's failure to take corrective action when irregularities occur in the use of SFHA motor vehicles.

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3.4 SFHA Administrative Staffing

27. This statement is inaccurate. We do not specifically recommend the elimination of grant funded positions. However, given the overstaffing of the SFHA administration, the SFHA could significantly reduce its administrative staffing while still providing effective management of its grant funded programs.
28. We disagree. Although we acknowledge that significant events, such as increased capital projects funding, have placed increased workload upon the SFHA administration, our report documents the need to reorganize the administrative structure of the SFHA to eliminate unnecessary intermediate layers of management, and to establish reasonable supervisory spans of control. Furthermore, as indicated in this section, the current administrative staffing level exceeds HUD guidelines by 70 percent.
29. The SFHA has misrepresented the cause of its staffing growth. It suggests that the only reason for the SFHA's increase in staffing has been the addition of certain grant funded programs. This statement is not accurate. During the course of our review, we identified numerous administrative positions that were created to support conventional housing operations. Furthermore, the SFHA's response fails to acknowledge that 23 administrative positions were shifted to the Maintenance Division in FY 1993-94. Had this shift of administrative positions to the Maintenance Division not occurred, the administrative staffing growth would have been approximately 26 percent, or double the 13 percent increase reported.

Even if the SFHA's characterization of the cause of its increase in staffing was accurate, the SFHA contends that any increase in positions is irrelevant simply because these positions are grant-funded. Regardless of whether these staffing increases are grant-funded positions or not, it is still Federal taxpayers' dollars that are being used for administrative positions that our report demonstrates are excessive.

30. In our report, we acknowledge that the growth in the Federal operating subsidy has been due to both an increase in the SFHA's allowable expenditure level and its declining revenue base. However, to the extent that the SFHA is able to reduce its administrative staffing costs, it could place such operating subsidies in its operating reserve for future other activities such as providing additional services or for capital projects.
31. The SFHA should discontinue its practice of unnecessarily expending funds on administration regardless of whether or not the SFHA is entitled to such funds.
32. We disagree. Although some organizational re-structuring would be required, it is our assessment that reasonable supervisory spans of control could be established even if certain management layers were eliminated.

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33. We disagree that the ratio craft to supervisory positions has decreased since FY 1990-91. Both the number of craft positions and the ratio of supervisory positions to craft positions have actually increased since FY 1990-91.
34. We strongly disagree. We are fully aware of the duties and responsibilities of the newly created Materials Resources Planner position and of the Materials Management Unit. During the course of this review, we have observed several instances in which, due to the fact that certain critical functions were not being performed adequately, the SFHA chose to create additional administrative positions, rather than hold existing administrative personnel accountable. The addition of a Materials Resource Planner to perform duties already required of its staff of three buyers is but one example of this practice.
35. We disagree. Our recommendation to eliminate \$950,000 in building crafts positions is not inconsistent with using savings from administrative savings for capital improvements to the SFHA's public housing developments. Under no circumstances do we recommend the addition of maintenance staff, but rather our report clearly states that savings from reductions in administration could be used to increase the level of capital improvements.
36. We disagree. Implementation of this recommendation is accurate and feasible, given the fact that the SFHA's own employee job descriptions for three employees within the Personnel Division already include duties pertaining to labor relations. In addition, based upon a review of the invoices submitted by the consultant, we determined that the majority of activities currently performed by the consultant were not highly specialized as suggested by the SFHA.
37. During the course of this review, we performed an extensive analysis of the contract labor relations consultant activities. Based upon this review, we determined that the functions were not highly specialized and in many instances, duplicated the job requirements of Personnel Department staff. Therefore, these contract services should be discontinued.

Section 3.5 Payment in Lieu of Taxes (PILOT)

38. This statement is inaccurate and is misleading. Payment of the SFHA's PILOT obligation will not result in the reclassification of the SFHA as a troubled agency. By the SFHA's own estimate it will have an operating reserve of \$8 million at the end of the current fiscal year. This represents approximately 22 percent of current operating expenditures of approximately \$37 million for the Conventional Housing program.
39. The unresolved dispute between the SFHA and the S.F. Police Department has no bearing on the matter of the PILOT waiver.

Section 4.1 Employee Recruitment and Staff Evaluations

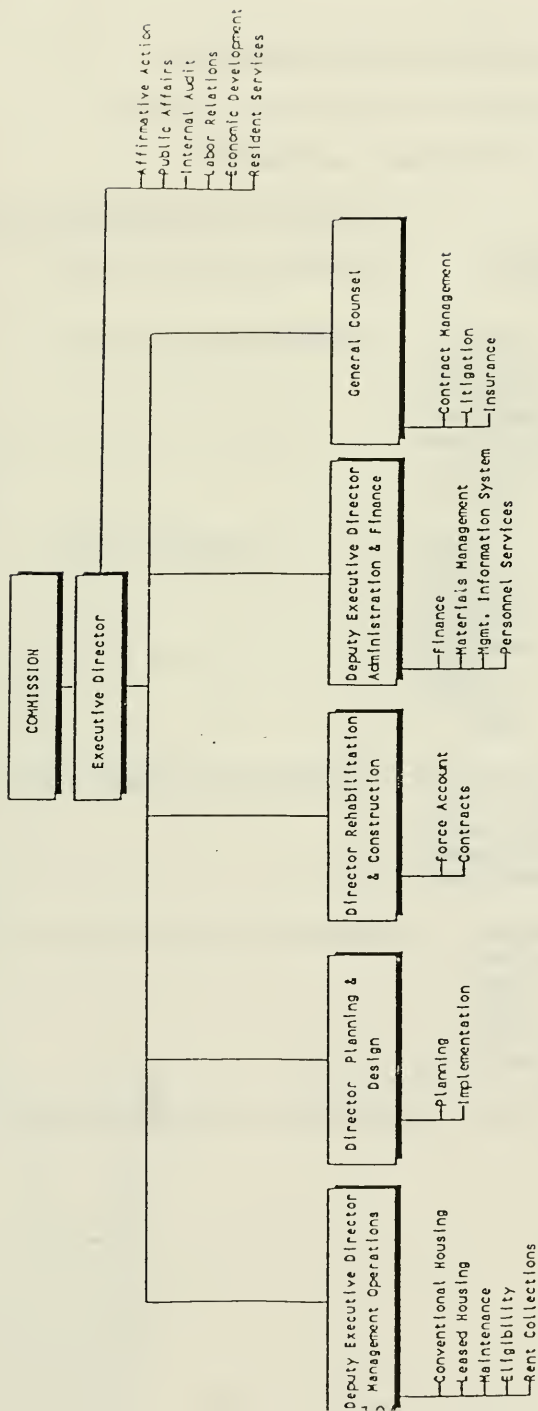
40. This statement is inaccurate. In none of the cases sampled did the SFHA perform probationary evaluations of the new hires.
41. The results of our employee attitude survey, which were received between March and June 1993, contradict this assertion. As discussed in this section, employees reported a continued high level of dissatisfaction with the hiring and promotional practices of the SFHA despite the SFHA's assertion that "both management and employees have reported increased satisfaction with fairness and effectiveness of the new procedures.

SAN FRANCISCO PUBLIC HOUSING DEVELOPMENTS

APR 7	CAL#	PROJECT	LOCATIONS	0	1	2	3	4	5	6	UNITS	CPLT
6	1-1	Holly Courts	Appleton, Fight'n'd, Patton, Holly Park	0	48	60	10	0	0	0	118	1940
5	1-2	Potrero Terraces	Wisconsin, 23rd, Connecticut, 26th	0	27	387	55	0	0	0	469	1941
6	1-3	Sunnydale	Sunnydale btwn Velasco & Hahn	0	71	531	150	15	0	0	767	1941
5	1-4	Valencia Gardens	Valencia, 15th, Guerrero	0	114	102	30	0	0	0	246	1942
5	1-5	Bernal Dwellings	Harrison, Army, Folsom, 26th St	0	68	48	72	0	0	0	208	1953
3	1-8	Westside Courts	Post, Broderick, Sutter, Baker	0	84	24	20	8	0	0	136	1943
7	1-9	Westbrook Apts.	Innes, Southridge, Kiska, Dormitory	0	4	60	116	34	12	0	226	1956
5	1-10	Potrero Annex	Missouri at 23rd Street	0	34	47	55	18	5	0	159	1955
1	1-11	North Beach	Columbus, Bay, Mason, Francisco	0	61	99	60	9	0	0	229	1952
4	1-15	Ping Yuan	Pacific @ Powell, Grant & Stockton	0	46	92	75	21	0	0	234	1952
5	1-16	Alamany	Alamany & Ellsworth	0	14	96	48	0	0	0	158	1955
7	1-17A	Hunters Pt (A) UW	Griffith, Navy Rd.	0	0	20	6	4	0	0	30	1953
7	1-17A	Hunters Pt (A) LW	Oakdale, Griffith, Palou	0	13	58	16	6	9	1	103	1953
7	1-17A	Hunters Pt (A) E	Earl, Kiska, Dormitory & Evans	0	4	44	13	19	0	0	80	1953
7	18(1)	J.F.K. Towers	Sacramento near Webster Turk.	76	21	1	0	0	0	0	98	1966
3	1-43	Robert Pitts Apts.	Divisadero, Eddy, Pierce	0	0	78	114	11	0	0	203	1991
3	18(2)	Y.B. Plaza East	Turk, Buchanan, Eddy, Laguna	0	104	124	36	12	0	0	276	1955
7	18(3)	Hunters View	Middle Pt Rd @ Innes or Evans	0	4	83	112	68	8	0	275	1956
7	18(4)	Alice Griffith	Griffith @ Gilman	0	8	130	24	78	16	0	256	1962
	18(5)	Rosa Parks Sr. Apts.	Webster, Turk, Buchanan, Golden Gate	19	100	77	0	2	0	0	198	1961
4	18(6)	Ping Yuan North	Broadway, Cordelia, Pacific	44	31	99	20	0	0	0	194	1961
3	18(7)	Hayes Valley A	Velasco & Castillo	5	8	5	0	0	0	0	18	1962
	18(7)	Hayes Valley B	Buchanan, Webster, Page, Height	13	66	70	7	4	0	0	160	1963
	18(7)	Hayes Valley C	Buchanan, Webster, Fell, Hayes	13	56	56	4	5	0	0	134	1963
1	18(10)	Woodside Gardens	Woodside opp. Hernandez	87	22	1	0	0	0	0	110	1968
7	18(13)	Mission Dolores	15th St./Guerrero	68	23	1	0	0	0	0	92	1955
1	19(1)	990 Pacific	Pacific/Mason	74	18	0	0	0	0	0	92	1969
1	19(2)	1750 McAllister	Baker/Broderick	75	21	1	0	0	0	0	97	1974
1	1-20	3850 18th Street	Church/Sanchez	88	19	0	0	0	0	0	107	1971
2	1-21	320-30 Clementine	Tehama/44th St.	226	50	0	0	0	0	0	276	1971
2	1-23	1880 Pine	Gough/Octavia	98	14	1	0	0	0	0	113	1973
2	1-27	350 Ellis	Taylor/Jones	72	24	0	0	0	0	0	96	1970
2	1-28	666 Ellis	Hyde/Larkin	77	23	0	0	0	0	0	100	1971
1	1-29	345 Arguello	Clement/Cornwall	59	9	1	0	0	0	0	69	1973
1	1-30A	462 Duboce	Herman/Duboce	34	8	0	0	0	0	0	42	1971
5	1-30B	75-77 Coleridge	Coleridge	0	0	0	0	2	0	0	2	1971
5	1-30C	101-3 Lundy's Ln	Lundy's Lane	0	0	0	2	0	0	0	2	1971
1	1-31	25 Sanchez	Sanchez/Duboce	75	14	1	0	0	0	0	90	1972
2	1-32	1760 Bush	Gough/Octavia	83	24	1	0	0	0	0	108	1972
6	1-33	275 Thrift	Capitola/Orizaba	0	0	0	1	0	0	0	1	1970
6	1-34	4101 Noriega	Noriega/48th Avenue	0	0	3	3	2	0	0	8	1971
1	1-34	363 Noe	Pond/Noe	19	3	0	0	0	0	0	22	1971
6	1-34	200 Randolph	at Head	0	0	8	6	2	0	0	16	1971
6	1-35	2206-68 Grt Hwy	Great Hwy./Riviera	0	0	6	10	0	0	0	16	1971
2	1-35	2698 California	California and Scott	31	8	1	0	0	0	0	40	1971
1	1-36	227 Bay	Powell/Stockton	48	2	0	0	0	0	0	50	1970
1	1-37	491 31st Ave.	at Geary	66	9	0	0	0	0	0	75	1973
2	39a	939 Eddy St.	Gough/Franklin	36	0	0	0	0	0	0	36	1980
2	39b	957 Eddy St.	Gough/Franklin	0	0	24	0	0	0	0	24	1980
2	1-41	430 Turk Street	Larkin/Hyde	72	16	1	0	0	0	0	89	1987
1	1-42	San Jose Apts.	at 1353-1367 Eddy	0	0	0	8	0	0	0	8	1988
1	7/32											
			TOTAL UNITS	1556	1315	2442	1074	320	60	1	6757	

		Appendix 2.1.2		
	SFHA Maintenance Division			
	Analysis of Hours Worked and Accounted for			
	by Building Crafts Personnel			
	December, 1992 through June, 1993			
<i>Part 1: Skilled Craft Positions</i>				
		Estimated	Productive	Percent of
	Positions	Productive	Hours	Productive
	Filled as of	Hours	Accounted	Hours
Craft	1/5/93	Available (a)	For (b)	Accounted For
Glaziers	6	6,720	4,733	70.43%
Painters	19	21,280	18,563	87.23%
Carpenters	22	24,640	17,543	71.20%
Electricians	5	5,600	4,275	76.34%
Plumbers	18	20,160	19,264	95.55%
Steamfitters	4	4,480	5,025	112.18%
Tile Layers	6	6,720	5,124	76.25%
Subtotal Part 1	80	89,600	74,527	83.18%
<i>Part 2: Non-Skilled Craft Positions</i>				
Laborers	71	79,520	2,518	3.17%
Custodians	42	47,040	2,813	5.98%
Subtotal Part 2	113	126,560	5,331	4.21%
Total Part 1 and Part 2	193	216,160	79,858	36.94%
(a) Assumes 2,000 productive hours per year for each filled craft position.				
(b) Based upon a SFHA monthly Maintenance Division Task Analysis report December, 1992 through June, 1993.				

SAN FRANCISCO HOUSING AUTHORITY ORGANIZATIONAL CHART



APPENDIX

EMPLOYEE ATTITUDE SURVEY

106 Surveys sent to randomly selected employees

45 Employees responded (43%)

Respondent Employee Characteristics

1. General Position Classification	Administrative	29
	Craft Worker	16
2. Adm. (Department/Division)	Executive	5
	Management Operations	12
	Planning and Design	2
	Rehabilitation and Construction	4
	Finance and Administration	3
	Leased Housing	<u>3</u>
	Total	29
3. Craft identification:	Laborer	4
	Custodian	5
	Carpenter	3
	Tile/Lino	1
	Electrician	1
	Glazier	1
	Plumber	<u>1</u>
	Total	16
4. Years Employed by the SFHA:	Less than 1 year	1
	1 year to 3 years	13
	3 years to 5 years	10
	5 years to 10 years	6
	Over 10 years	15
5. & 7. Years in current Classification	Less than 1 year	1
	1 year to 3 years	15
	3 years to 5 years	10
	5 years to 10 years	6
	Over 10 years	12
	No response	1
6. Do you work on-site at public housing projects on a regular basis?		
	Yes	30
	No	15

APPENDIX

Administrative Personnel Only

8. Do you feel the training provide to perform your job assignments is sufficient, pertinent and useful:

Yes	7
No	16
No Response	6

9. Have you received a performance appraisal within the past 12 months?

Yes	4
No	25

Job Satisfaction:

For questions 10 through 17, the survey respondents circled a number for an answer that most closely corresponded with the respondent's opinion, according to the following key:

- | | |
|---|-------------------------------|
| 1 | Very High (Heavy) |
| 2 | Somewhat High (Heavy) |
| 3 | No Opinion (About Right) |
| 4 | Somewhat Low (Somewhat Light) |
| 5 | Very Low (Very Light) |
| 6 | No Response |

10 Please indicate your assessment of your current work.	1	15
	2	23
	3	4
	4	1
	5	1
	6	1

11. Please indicate your satisfaction level with the SFHA as a whole.

1	7
2	11
3	1
4	9
5	15
6	2

12. Please indicate your satisfaction with the level of personal safety you feel during the conduct of your job.

1	4
2	7
3	8
4	10
5	13
6	3

APPENDIX

13. Please indicate your satisfaction level with the quality, quantity and delivery of tools, materials and supplies you need to do lyour job.

1	3
2	9
3	5
4	15
5	11
6	2

14. Please indicate your satisfaction level with SFHA Administration/Management.

1	6
2	6
3	1
4	14
5	16
6	2

15. Please indicate your satisfaction level with Division/Unit supervision;

1	11
2	11
3	6
4	5
5	11
6	1

16. Please indicate your satisfaction level with your current assignment.

1	12
2	19
3	3
4	4
5	6
6	1

17. Please indicate your satisfaction level with Career Opportunities within the SFHA.

1	5
2	7
3	7
4	7
5	18
6	1

18. Do you believe that administrative policies and practices within the SFHA are applied fairly:

Yes	11
No	26
Uncertain	8

19. Are the SFHA's criteria for promotions clear, appropriate and equitable.

Yes	9
No	27
Uncertain	9

